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Pensions & Investment Age

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United shifts to mutual fund format

By Barry B. Burr

CHICAGO — In a major switch to a mutual fund-like investment approach developed with Frank Russell Co., the $295 million United Air Lines Pilot Variable Plan on Nov. 1 will drop six managers, reassign four others and hire nine new ones.

In a separate matter, UAL Inc. hired David J. Dykstra, formerly manager of insurance and pensions of Midcon Corp., Lombard, Ill., to replace Robert J. Gillette as chief of United Air Lines Inc.'s $1.5 billion in pension assets.

Mr. Gillette joined Frank Russell Co., Tacoma, Wash., as a vice president-client executive and senior investment consultant. United, a longtime Russell client, will be one of Mr. Gillette's assignments, according to Jan Twardowski, Russell's managing director-consulting.

For the assets of the pilots' variable plan, which is a defined contribution plan run separately by the airline from its defined benefit plans' fund, United will drop six of the 10 managers, *Pensions & Investment Age* has learned.

The managers and the portfolios that will be dropped are:

• Batterymarch Financial Management, Boston, $73.3 million; Jennison Associates Capital Corp., New York, $32.1 million; Lincoln Capital Management Co., Chicago, $99.7 million — all in domestic equities;

• G.T. Capital Management Inc., San Francisco, $54 million in international equities;

• Wells Fargo Investment Advisors, San Francisco, $108.2 million in a Standard & Poor's 500 stock index fund; and

• Harris Trust and Savings Bank, Chicago, $148 million in government fixed income.

The new, customized mutual fund-like approach will have 13 managers, running nine portfolios, *P&I Age* learned. Some will receive more than one assignment.

The new portfolios and their managers are:

• Government fixed income: Frank Russell Trust Co., Tacoma, Wash., a Russell affiliate;

• S&P 500 stock index fund: Boston Safe Deposit & Trust Co., Boston;

• Intermediate fixed income: BEA Associates Inc. and Sanford C. Bernstein Inc., both of New York;

• Income- and value-oriented equities: Barrow Hanley Mewhinney & Strauss, Dal-

Continued on page 67

Inside:

CORPORATE FINANCE: While consumers shop at Consolidated Stores Corp.'s discount stores in the United States, the Columbus, Ohio, retailer shopped both the U.S. and European equity markets — page 3. Stories on Seagram's Swiss franc debt deal and People Express' new loan covenant woes — page 45.

REAL ESTATE: Because of overbuilding, office buildings such as this one in San Diego, Calif., make up a smaller percentage of the holdings of real estate managers than they once did. Details on this trend and others in the real estate directory — page 15.

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Index funds move the market

Their use of program trading is extensive, overlooked

By Chuck Paustian

NEW YORK — Stock index funds produced some of the major moves in the equity market during the past several weeks through their use of arbitrage program trading techniques.

Although brokerage firms and arbitrageurs have grabbed most of the program trading spotlight, stock index funds are just as responsible for some of the dramatic moves in the market.

On Sept. 2, for example, many Standard & Poor's 500 stock index fund managers sold the stocks in their portfolios and purchased the September futures contracts on the index to enhance returns or to increase liquidity.

That move was partly responsible for a decline of almost 28 points in the Dow Jones industrial average.

On Aug. 26, the DJIA climbed 32 points, in response to heavy arbitrage buying programs.

In addition, index funds were responsible for the stock market's 24-point rise June 20, the last "triple witching hour" day. On that day, 149 million shares were traded, but 41 million were bought at the day's close.

"That was the index funds having to close out their positions," said Robert N. Gordon, president of Twenty-First Securities Corp., a brokerage firm in New York.

"The time when the index funds (put on their positions) was June 9, and that day the market was down 45.75 points."

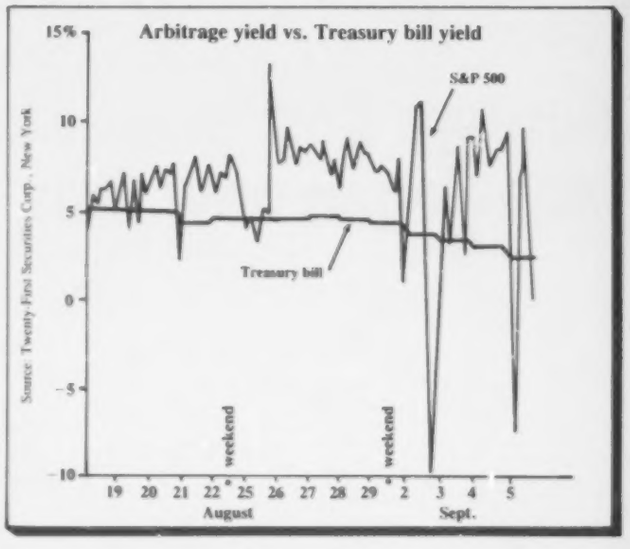
Twenty-First Securities runs about $110 million in arbitrage trading techniques for its taxable clients.

As of Sept. 10, it appeared stock index funds would not be a factor in the next triple witching hour day — Sept. 19, having had the opportunity to close their positions Sept. 8 and 9.

Although they would not speculate on their role in the next triple witching hour, index fund portfolio managers talked generally about their use of program trading.

Jeffery P. Ricker, an associate at Mellon Capital Management

Continued on page 66



California to create insurer

By Steve Hemmerick

SACRAMENTO, Calif. — California State Teachers' Retirement System officials have all but given up on finding a private insurer for fiduciary liability coverage, and said they will set up a joint powers authority to provide coverage Sept. 22.

Without the joint powers authority, fund trustees would have no fiduciary insurance and could face personal liability for the fund by the latter part of this month, said Larry Kurmel, executive officer for the $16 billion retirement system.

The joint powers authority essentially would allow a number of pension funds to insure themselves and each other until they can set up their own insurance company, probably by year end.

That company probably would be the first pension fund-owned insurer of its kind for pension funds, and the retirement system is seeking participation from funds nationwide.

Mr. Kurmel said he had hoped the threat of setting up a joint powers authority, the first step before setting up a reciprocal insurance company, would push private insurers into offering a fiduciary policy to the system. But that hasn't happened.

Yet, he said, the joint powers authority will be attractive in that it will provide at least the same coverage for the same cost as that provided by private insurers for the previous year's policies.

The teachers' privately provided policy expires this month. That policy gave the fund $5 million coverage per claim with a $100,000 deductible. The one-year policy cost $851,000.

Mr. Kurmel expects at least six, and maybe 12, public pension funds in California to join the

Continued on page 68

2 funds mull incentive fees

By Chuck Paustian

The $3.4 billion Iowa Public Employees' Retirement System, Des Moines, is negotiating with four of its investment managers on performance-based fee arrangements while the Florida State Board of Administration, Tallahassee, is considering using the fees.

"We are currently evaluating which performance-based fee model or structure we want to use" with two equity and two fixed-income managers, said Dennis Jacobs, Iowa's deputy administrator.

The Florida board, which oversees the investment of $12 billion in retirement assets, has started a study on performance-based fees, said William O. Bell, director of investment management analysis.

"I am looking into that (performance fees) right now to get more or less acquainted with the subject," said Mr. Bell. "But, as far as pursuing it actively, we're not doing that at this time."

These funds join the growing list of public pension funds, endowments and foundations that either will implement or are looking to implement performance fees.

Those types of funds are further along than their corporate counterparts in the performance-fee process because they have not needed approval from the Department of Labor.

Many corporate pension funds, governed by the Employee Retirement Income Security Act, are interested in performance-based fees, but have postponed any

Continued on page 65

Department of Labor offices sketch by Roger Schillerstrom

The shape of fees to come

DOL opinion may open doors to venture cap, realty

By Richard J. Gillespie

WASHINGTON — The Department of Labor's approval of performance-based fees for two money managers suggests the department will approve wider use of such fees, perhaps even in the real estate and venture capital areas.

While the money managers who requested performance-based fees mostly invest in securities for which market quotations are readily available, the Labor Department allowed for a small portion of the securities to be valued by independent appraisers. The lack of readily available market quotations is a problem for real estate and venture capital managers.

Ruling the separate arrangements requested by Batterymarch Investment Advisers, Boston, and BDN Advisors, New York, did not constitute violations of the Employee Retirement Income Security Act, the Labor Department in effect enabled managers to peg their fees to investment performance for the first time since the act was passed in 1974.

"You will see performance fees used more and more, and these steps taken by the Department of Labor, I think, have opened up the opportunity to introduce more flexibility," said Lawrence Haas, a principal with the Washington law firm Groom and Nordberg.

"This will remove a lot of uncertainty concerning the application of ERISA to incentive-fee arrangements," agreed Donald J. Myers, a partner with Pierson, Ball & Dowd, Washington.

"You will probably find considerable, but not universal, interest in this on the employer side," said Bronislaw Grala, a partner in the New York law firm of Cadwalader, Wickersham & Taft.

The Labor Department's advisory opinions do not change the law but merely interpret existing statutes, in this case the gray wording of Section 406(b)(1) of ERISA. Section 406(b) covers prohibited transactions, and 406(b)(1) specifically prohibits fiduciaries from dealing with plan assets in their own interests or for their own accounts.

According to Ivan Strasfeld, division chief for regulatory coordination, the Batterymarch and BDN requests were the only ones received since the Securities and

Continued on page 65

Alger losing clients from CIMCO list

By Steve Hemmerick

LOS ANGELES — Fred Alger Management Inc., New York, has failed to keep another account of Crocker Investment Management Corp., San Francisco, the investment advisory firm it bought out this summer.

Trustees for the $1.3 billion Los Angeles Water & Power Employees' Retirement Plan passed up Fred Alger Management in an extensive search and hired The Boston Co., Los Angeles, and Bank of California, San Francisco, as balanced managers.

In addition, trustees of the $2.7 billion San Francisco City and County Employees Retirement System considered reallocating $140 million in equities with CIMCO, but voted Sept. 10 to keep all but $10 million with the firm.

In the case of the Los Angeles fund, The Boston Co. will receive $500 million and Bank of California, $175 million in assets, all of which, except for some cash, had been with Crocker.

Fred Alger, president of Fred Alger Management, said he had hoped to win back the Los Angeles Water & Power plan when trustees decided to just let the plan's advisory contract with CIMCO expire June 30, shortly after Mr. Alger had announced he would buy CIMCO.

Trustees for the Water & Power plan considered Fred Alger Management in an extensive search for new managers, said Richard Goss, retirement plan administrator. But the trustees decided on the other managers, joining the ranks of former CIMCO clients including Contra Costa County Employees' Retirement Association, Martinez, Calif., and The Times Mirror Co., Los Angeles.

A year ago, CIMCO officials reported $1.6 billion in tax-exempt assets under management. It now reportedly has $500 million remaining in assets that had been managed by CIMCO. Part of the original amount had been assets managed for the then-parent bank, Crocker National Bank.

Contra Costa County and The Times Mirror dropped CIMCO before the purchase by Fred Alger had been completed. Officials for the two retirement systems said uncertainty about CIMCO's future played a major part in their decision. Earlier this year, Wells Fargo & Co., San Francisco, decided to buy Crocker National Corp., and then to sell CIMCO (*Pensions & Investment Age*, May 26).

Continued on page 65

Putnam Cos. sues 11 who began new firm

By Trudy Ring

BOSTON — The Putnam Cos. Inc. has filed suit against the 11 employees who left Putnam's international investment management arm to form a new firm.

The suit, filed Aug. 26 in Superior Court here, seeks to prevent the employees who left Putnam International Advisors Inc. and formed Oechsle International Advisors from seeking or accepting business from the clients they served at Putnam International.

It charges the employees sought to appropriate for their new business proprietary trade secrets and other confidential information from Putnam International. Putnam Cos.' president, Lawrence J. Lasser, claims in an affidavit filed with the suit that the former employees' actions, if unchecked, would "cripple or destroy Putnam International."

The 11, including Putnam International's president and chief investment officer, Walter Oechsle, left the firm in late August. They constituted Putnam International's entire investment management team; only the European marketing director and some analysts remained (*Pensions & Investment Age*, Sept. 1). Mr. Oechsle is managing general partner of the new firm.

The suit further seeks to prevent the Oechsle firm from having any dealings with Putnam International clients or consultants, soliciting accounts on the basis of past affiliations or investment performance with Putnam International, removing or making any use of the firm's client lists or other documents or offering employment to any of its workers.

Steve Langer, who had been Putnam International's product manager and is a general partner of Oechsle International, said the Putnam Cos.' lawsuit is "only meant to be a nuisance" and is an abuse of the legal process. "At the very least, the Putnam complaint is groundless," he said.

Oechsle International filed answers to the suit and a counterclaim Sept. 9. Oechsle's attorney, Edmund Case of the Boston law firm Testa, Hurwitz & Thibeault, said the filings deny Putnam Cos.' allegations and explain Oechsle's position.

Mr. Case said the lawsuit is an attempt to hinder Oechsle in legitimate competition with Putnam International. He said the Sept. 9 filings dispute Putnam International's allegations that Oechsle is using confidential material, saying this material, such as client names and addresses, is not confidential. He noted *P&I Age* regularly reports on new clients of investment firms.

In reply to charges that Oechsle International is seeking to take business from Putnam International, the filings say the 11 employees did not have employment contracts with Putnam International or non-competition agreements, so they were free to leave when they pleased and set up a competing business, Mr. Case said.

Putnam Cos.' suit also contends the employees contacted clients about their new firm while still employed by Putnam Interna-

Continued on page 70

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

P&I Age August indexes

	Latest mo.	Year to-date	Trailing 12 mos.
S&P 500	7.42	22.54	39.15
Russell 3000[1]	6.81	22.02	37.21
Ryan Index[2]	2.78	16.99	28.0
Shearson Lehman Gov't./Corp.[2]	2.64	13.58	22.8

Source: Rogers, Casey and Barksdale Inc.
[1]Frank Russell Co. [2]Fixed income.

Highlights

CASH MANAGEMENT
Firms pool short-term financing needs 57
Cash accounts 57

CORPORATE FINANCE
Seagram offers debt deal 45
People Express owes on loans 45
Northwest Industries going public 49
New issues chart 45
Corporate notes 46

FEATURE
Rutledge: Is there a small-property effect? 42

REAL ESTATE
Investors place $5.6 billion in direct accounts 15
Union fund trustees to repay assets 16
Wrap-up 40

GENERAL NEWS
NISA heads volatility list 4
S. Africa market rides out turmoil 6
Mississippi increases passive investments 8

DEPARTMENTS
Datebook 50
Late news 70
Letters 12
Market beat 63
Money movers 62
Opinion 12
People 64
Washington notebook 43

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Mississippi allocates 50% of fund to passive

By Trudy Ring

JACKSON, Miss. — The $2.7 billion Public Employees' Retirement System of Mississippi plans to increase its passive investments to 50% from 20% of the fund, affecting about $1 billion.

Toward that end, the system has hired a second bond index fund manager and plans to augment the amount run by existing stock and bond index fund managers, said Eddie B. Vandiver, deputy director-investments.

The system will supplement its increased passive commitment with more aggressive active managers, Mr. Vandiver said. It is conducting a search for growth stock managers, with plans to hire one or two this fall. Coming along with these changes is an increase in the fund's equity commitment to 25% from 20%, with passive equity investments making up half this amount.

To free up funds for the new strategy, the system terminated four of its 12 existing managers.

The new bond index fund manager is Wells Fargo Investment Advisors, San Francisco, whose fund will track the Salomon Brothers Broad Investment Grade bond index, Mr. Vandiver said. The initial allocation to Wells Fargo likely will be $300 million, eventually increasing to $500 million, he said.

The system also plans to increase the funding for Lehman Management Co., hired last spring to run $140 million in a customized bond index fund (*Pensions & Investment Age*, April 28). Lehman's index fund will be brought up to the same level as Wells Fargo's, Mr. Vandiver said. Lehman also handles an active bond account for the system.

To further implement the passive strategy, the system will increase, probably by $90 million, the stock index fund run by Bankers Trust Co. — Investment Management Group, New York, he said. The system has about $252 million in that fund now.

Terminated were active equity managers Eaton, Vance Management Inc., Boston, which had run $81 million, and Scudder, Stevens & Clark, New York, which managed $119 million; and active bond managers MacKay-Shields Financial Corp., New York, which ran, $263 million, and Wentworth, Hauser & Violich Inc., San Francisco, which handled $246 million.

"This was out of necessity due to the restructuring and redeployment of the assets," Mr. Vandiver said of the terminations. Some of the assets for the passive strategies will come from cash flow, he said.

SEI Funds Evaluation Services, Chicago, developed the asset allocation plan and assisted in the manager searches. ■

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Corrections & clarifications

• In the Aug. 4 directory of international managers, the asset allocation of **IDS International Inc.**, Minneapolis, was incorrect. As of March 31, IDS had $247 million invested in non-U.S. stocks; it has no foreign bond holdings. Also, it manages $128.6 million in mutual funds; IDS has no index funds.

• In an Aug. 18 article, New York City Comptroller **Harrison J. Goldin** was cited incorrectly as not disputing equity manager performance figures given by Finance Commissioner Abraham Biderman.

In his letter to the trustees, Mr. Goldin did not dispute the five-year figures, but did question others. Following publication, Mr. Goldin also contested the five-year figures, providing alternate data.

• In the Aug. 4 listing of the 100 largest financial institutions, **PNC Financial Corp.** should have shown discretionary assets of $32,638 million as of Dec. 31.

• **Scudder, Stevens & Clark**, New York, submitted an incorrect telephone number that was published in a profile of the firm in the directory of cash management services (*Pensions & Investment Age*, July 21). The correct number is (212) 350-8200.

Opinion

DOL report raises questions

A STUDY OF THE INVESTMENT performance of corporate pension funds sponsored by the Department of Labor raises troubling issues for pension funds, and at least the summary should be read by pension executives.

The general conclusion of the study supports earlier studies that show pension funds have, on average, underperformed the stock market.

Indeed, their performance even lagged the returns of 91-day Treasury bills, considered to be the risk-free rate.

While some consultants questioned whether the sample used in the study was large enough to draw meaningful conclusions and had other methodological questions, others declared the study was well done and said it confirmed the earlier results.

Explanations offered by the authors of the study, Stephen Berkowitz and Dennis Logue of Berkowitz, Logue & Associates, include excessive trading costs and too frequent changes in asset allocation.

The study noted poorer investment results among those plans that engaged in frequent changes of asset allocation or that did not rebalance to the original asset allocation after changes in market values among classes of assets, than among plans that maintained their original asset allocation.

The results suggest companies have been setting asset allocations for tactical purposes rather than strategic purposes, and have been no more successful in guessing which asset class would be the best performer over any particular time period than the balanced managers that many of them fired in the early to mid-'70s.

Many consultants have stressed that asset allocation is a long-term decision, not a short-term one to be adjusted every time the financial winds change direction. Pension executives clearly have not been listening, and the pension funds and the sponsoring companies have been paying the price.

Do trustees use too much power?

MANY BOARDS OF TRUSTEES of pension funds are exercising too much control over the day-to-day operations of the funds, an informal survey reported in the Sept. 1 issue of *Pensions & Investment Age* suggested.

The survey suggested some boards of trustees still make the final decisions on the hiring and the firing of investment managers.

Perhaps in smaller companies, where the treasurer oversees the pension fund as one of a multitude of responsibilities, this may be efficient and appropriate.

But in larger funds, with experienced full-time professionals overseeing the pension fund on a day-to-day basis, the role of the board of trustees should be one of oversight, not management.

The board of trustees should play the same role with the pension fund as the board of directors plays with the corporation. The board of directors is supposed to represent the shareholders and ensure management's efforts advance shareholders' interests. It is not supposed to manage the corporation itself.

The board of trustees of the pension fund has two constituencies to serve — the shareholders and the beneficiaries. When the interests of the two conflict, the Employee Retirement Income Security Act says the board must place the interests of the beneficiaries first.

In serving these constituencies, the board of trustees should give its advice and consent in the establishment of long-term investment objectives of the fund, including appropriate risk levels. It should monitor the steps taken to achieve those goals, including the selection of money managers, and it should also monitor the progress toward the goals.

It should then allow the professional managers, the fund executives, to hire and fire money managers, and even to choose which investment alternatives to use.

If it is dissatisfied with the money managers chosen or the progress being made toward the fund's goals, the board should replace the pension executives responsible for the day-to-day operations. When a board of trustees attempts to micromanage the pension fund, it risks introducing rigidities and inefficiencies into the process and may end up increasing the cost of the fund to the corporation.

Letters to the editor

Regan Money Mgrs.

To the Editor: Regan Money Managers was not included in the special profiles issue May 19.

The firm is at 3500 W. 80th St., Suite 195, Minneapolis, Minn. 55431; (612) 835-1185.

As of Jan. 1, assets under management totaled $65 million. Of that, $23 million was tax-exempt.

The firm is a balanced manager. In equities, our approach is a combination of value and timing. We see an evolving shift from earnings-driven to discount rate-driven market and emphasize companies with high and improving inflation-adjusted ROI vs. cost of capital.

In fixed income, we rely on interest rate anticipation.

Options and stock index and fixed-income futures are used.

As of Jan. 1, the tax-exempt asset mix was 35% stocks, 50% bonds and 15% cash. There were 21 corporate, foundation and jointly trusteed clients.

Minimum account size for separate management is $1 million. The firm invests $15 million for 401(k) and 457 savings plans, and has $2 million invested in international equities.

There are two portfolio managers. One hundred stocks are followed closely and 1,500, generally. One-fourth of the research is generated internally.

Robert M. Regan is chief investment officer and client contact.

Carol Blacklund
Regan Money Managers
Minneapolis

Westridge Capital

To the Editor: We at Westridge Capital are sorry we missed being listed in your profile issue.

Westridge Capital Management Inc. is at 444 S. Flower St., Los Angeles, Calif. 90017; (213) 622-4373.

Total assets managed as of Jan. 1 were $170 million, all of it tax exempt. We have seven tax-exempt clients, covering corporate, government and jointly trusteed funds. Minimum account size for separate management is $5 million. We run $11.5 million in equity index funds.

The firm specializes in asset allocation, cash management, equity/option strategic hedging and risk control. It buys optionable equities with strong near-term fundamental and technical factors and write options to lower volatility and enhance long-term returns.

There are two portfolio managers and two researchers. We follow 100 stocks closely and 400, generally. Sixty percent of research is generated internally.

Clients include Florida, K mart, and NL Industries.

James L. Carder, president, is the chief investment officer. Gerald Murchison, director of marketing, is the client contact.

Gerald Murchison
Director of marketing
Westridge Capital
Los Angeles

ABD International

To the Editor: Information on ABD International Management Corp., 10 E. 53rd St., New York, N.Y. 10022, was not included in the May 19 special profiles issue of *Pensions & Investment Age*.

The firm is an international equity manager whose investment style emphasizes an active approach to currencies and stock selection based on industry rotation both worldwide and within markets. The currency decision is considered separately from asset allocation and security selection. As of Jan. 1, assets under management totaled $1.053 billion, all tax-exempt.

The asset mix was 80.2% stocks, 1.4% bonds and 18.4% currency; $895 million was invested in international stocks, $56 million in international bonds and $102 million in cash.

The firm has 12 tax-exempt corporate and government clients.

Minimum account size for separate management is $15 million.

There are 10 portfolio managers. Stocks followed closely total 150, with 500 followed generally.

Clients include GM, PacTel, AT&T and Oregon.

ABD is owned by Dresdner Bank AG (Frankfurt) and Hypo-Bank AG (Munich). Assets under management by the parents and subsidiaries totaled $12 billion.

Chief investment officer is Ullrich S. Moser, president. Client contact is Jill B. Jordon, director of client services and marketing.

J. Eric Nelson
ABD International
New York

Group missed

To the Editor: I noticed your recent Cash Management Directory did not include the fourth cash management association in California, namely the Bay Area Cash Management Association. The details are:

Corporate membership: 46

Meetings: Third Tuesday, except December

Membership fee: $275 (includes NCCMA)

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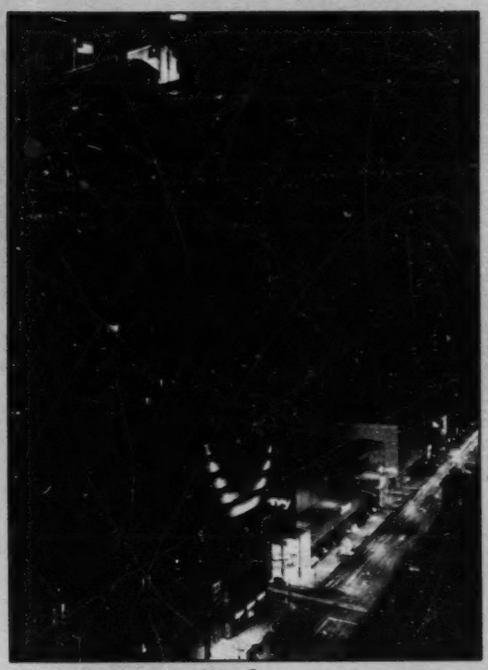
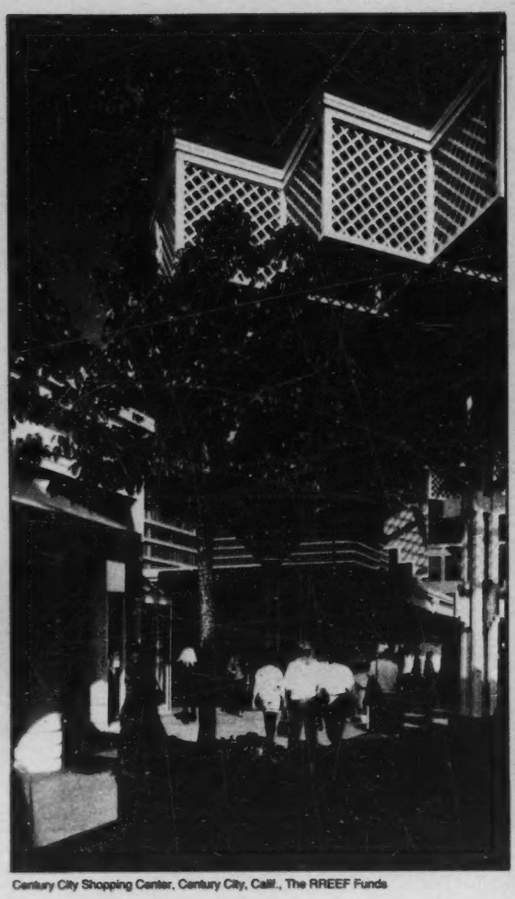
BPA ABP

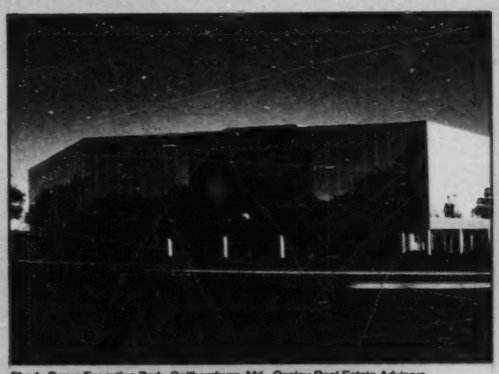
Real estate directory


ARA Tower, Philadelphia, Heitman Advisory Corp.

A Southern California R&D facility, Karsten Institutional Realty Advisors


Century City Shopping Center, Century City, Calif., The RREEF Funds

Southridge, Atlanta, JMB Institutional Realty Corp.


Shady Grove Executive Park, Gaithersburg, Md., Copley Real Estate Advisors

Cloverleaf Mall, Richmond, Va., LaSalle Advisors Inc.

Investors place $5.6 billion of new business in direct accounts

By Steve Hemmerick

Pension plan executives earmarked almost half of their new real estate commitments for direct investment during the 12 months ended June 30.

Of the $12.3 billion in new business reported by 101 real estate managers surveyed by *Pensions & Investment Age*, $5.6 billion, or 45.5%, was in direct, separate accounts.

The use of direct investment in real estate in place of or in addition to pooled investments appears to be a growing trend in real estate investment, the survey showed.

Richard Ellis Inc., a New York firm that accepts only direct individual accounts, got the most new business during the 12 months, $1.02 billion.

All but one of the Top 10 firms in terms of new business cited individual accounts as an important, sometimes critical factor, in the amount of new business they received.

For example, during the 12-month period, Aetna Life & Casualty, Hartford, Conn., which ranked third in new business with $843 million, reported receiving $390 million, a little less than half of the total, in separate account business. JMB Institutional Realty Corp., Chicago, which only began accepting

Continued on page 40

Real estate investment advisers ranked by tax-exempt assets

Firm	Tax-exempt assets				Total assets			
	Total	Equity	Mortgages	Hybrid debt	Total taxable/ tax-exempt	Equity	Mortgages	Hybrid debt
1. Aetna Life & Casualty	15,858	2,538	12,187	1,133	21,533	3,547	16,853	1,133
2. Prudential Realty Group	6,428	6,118	310	0	33,558	15,812	17,747	0
3. Equitable Real Estate Investment Mgmt.	5,521	5,222	43	256	23,568	12,695	8,256	2,618
4. RREEF Funds	2,997	2,997	0	0	2,997	2,997	0	0
5. Heitman Advisory Corp.	2,918	2,918	0	0	3,189	3,189	0	0
6. Copley Real Estate Advisors	2,561	2,561	0	0	5,700	5,700	0	0
7. F.I.A. Associates	2,269	834	0	1,435	2,269	834	0	1,435
8. LaSalle Advisors Inc.	2,206	2,206	0	0	2,206	2,206	0	0
9. Corporate Property Investors	2,028	2,028	0	0	3,050	2,672	378	0
10. Balcor Institutional Realty Advisors	1,854	297	0	1,556	2,758	1,202	0	1,556
11. JMB Institutional Realty Corp.	1,777	1,777	0	0	13,580	13,404	0	176
12. Aldrich, Eastman & Waltch Inc.	1,700	300	100	1,300	1,700	300	100	1,300
13. Boston Co. Real Estate Counsel Inc.	1,391	93	0	1,298	1,551	253	0	1,298
14. Eastdil Realty Inc.	1,307	1,227	15	65	1,480	1,400	15	65
15. CIGNA Asset Advisers Inc.	1,058	1,058	0	0	10,764	2,274	8,490	0
16. PSI Institutional Realty	1,017	1,017	0	0	2,057	2,057	0	0
17. First Chicago Investment Advisors	921	921	0	0	976	976	0	0
18. Jones Lang Wootton Realty Advisors	900	620	0	280	1,480	1,200	0	280
19. TCW Realty Advisors	857	545	0	312	857	545	0	312
20. John Hancock Financial Services	838	838	0	0	10,213	1,834	8,379	0
21. J.P. Morgan Investment Mgmt. Inc.	835	57	0	778	1,356	472	0	728
22. Mellon Real Estate Investment Mgmt. Corp.	800	359	131	310	800	359	131	310
23. L.J. Melody & Co.	795	0	312	483	2,032	0	1,230	802
24. Alex. Brown Realty	775	0	0	775	775	0	0	775
25. Citicorp Investment Management	775	573	67	135	1,273	1,072	67	135
26. Security Capital Real Estate Corp.	753	753	0	0	1,010	1,010	0	0
27. Wells Fargo Realty Advisers	731	232	313	186	2,692	232	2,274	186
28. Manufacturers Hanover Investment Corp.	660	75	585	0	660	75	585	0
29. Richard Ellis Inc.	642	544	0	98	2,146	1,921	0	225
30. Kennedy Associates Real Estate Counsel Inc.	634	257	52	325	633	257	52	325
31. Wachovia Real Estate Fund	627	627	0	0	646	646	0	0
32. Coldwell Banker	592	592	0	0	710	710	0	0
33. NCNB National Bank	577	577	0	0	577	577	0	0
34. Travelers	547	468	79	0	18,313	1,513	16,800	0
35. Property Capital Associates	544	544	0	0	660	660	0	0
36. Lomas & Nettleton Co.	507	0	507	0	507	0	507	0
37. Lehndorff & Babson Real Estate Counsel	503	503	0	0	1,523	1,523	0	0
38. Karsten Institutional Realty Advisors	497	231	194	72	767	499	194	74
39. Metropolitan Life	493	422	71	0	17,230	5,950	11,280	0
40. John McMahan Associates Inc.	485	471	0	14	500	486	0	14
41. Scudder Realty Advisors Inc.	440	40	280	120	440	40	280	120
42. Am Cal Co.	396	232	164	0	396	232	164	0
43. New England Mutual Life**	392	NA	NA	NA	NA	NA	NA	NA
44. Goldman, Sachs & Co.	366	366	0	0	636	636	0	0
45. Chestertons USA	323	323	0	0	646	646	0	0
46. PM Realty Advisors Inc.	251	145	0	106	251	145	0	106
47. Grubb & Ellis Co.	240	203	37	0	1,412	1,375	37	0
48. First National Bank of Boston	239	185	0	53	239	185	0	53
49. State Street Bank and Trust Co.***	230	134	0	96	359	134	0	96
50. Palmieri Co.	225	110	70	45	1,875	310	1,520	45
51. Union Labor Life Insurance Co.	223	0	223	0	435	212	223	0
52. Trident/Meyer Real Estate Advisors	204	172	0	32	204	172	0	32
53. Frank Russell Trust Co.	159	159	0	0	159	159	0	0
54. Phoenix Mutual Life Insurance Co.	134	134	0	0	1,424	406	1,018	0
55. Bennett and Kahnweiler Realty	125	125	0	0	400	400	0	0
56. Landauer Advisors Inc.	113	113	0	0	312	312	0	0
57. Southland Trust Co.	113	113	0	0	113	113	0	0
58. Lieberman Companies	110	0	110	0	110	0	110	0
59. Equitec Institutional Realty Advisors Inc.	106	106	0	0	1,500	15,000	0	0
60. Loeb Partner Realty	100	100	0	0	450	450	0	0
61. SUHRCO Real Estate Advisors Inc.	88	NA	NA	NA	108	NA	NA	NA
62. Bank of America Investment Real Estate	85	85	0	0	400	400	0	0
63. Northern Trust Co.	85	85	0	0	NA	NA	NA	NA
64. ICC Realty Advisors Inc.	76	6	70	0	76	6	70	0
65. Chase Investors Management	66	14	0	52	1,553	1,385	29	139
66. Fayez Sarofim & Co.	63	0	53	10	63	0	53	10
67. First Asset Realty Advisors	61	61	0	0	51	51	0	0
68. Massachusetts Mutual Life Insurance	58	58	0	0	2,507	334	2,173	0
69. Schroder Real Estate Associates	50	50	0	0	1,054	888	0	166
70. RepublicBank Dallas	46	38	0	8	46	38	0	8
71. Acquest Capital Management Inc.	43	7	12	24	78	15	12	51
72. Hayden, Tolzmann & Associates Inc.	36	36	0	0	36	36	0	0
73. MRealty Corp.	35	30	0	5	100	90	0	10
74. New York Life Insurance Co.	31	31	0	0	7,252	530	6,722	0
75. Chemical Bank	27	13	0	13	39	25	0	13
76. Mutual Benefit Life	27	27	0	0	27	27	0	0
77. D.A. Management Inc.	26	4	22	0	84	34	50	0
78. Third National Bank	25	22	0	3	71	68	0	3
79. Tomlin Properties Inc.	21	21	0	0	450	450	0	0
80. Harris Trust & Savings Bank	20	18	0	2	20	18	0	2
81. Peckham Boston Co.	18	18	0	0	18	18	0	0
82. Continental Forest Investments Inc.	10	10	0	0	40	40	0	0
83. HT Investors	10	NA	NA	NA	10	NA	NA	NA
84. T.W. Richardson & Co.	9	9	0	0	9	9	0	0
85. American Agricultural Investment Mgmt.	9	9	0	0	9	9	0	0
86. First Wisconsin Trust Co.	7	7	0	0	20	0	0	0
87. Boston Financial Real Estate Advisors	5	5	0	0	3,600	800	2,800	0
88. Principal Mutual Life Insurance	4	4	0	0	7,065	98	6,967	0
89. Mercantile Bank	4	0	0	0	4	0	0	0
90. ACP Advisers Inc.	0	0	0	0	378	378	0	0
91. AMB Investments Inc.	0	0	0	0	190	190	0	0
92. AgriVest	0	0	0	0	475	40	435	0
93. Angeles Institutional Advisors Inc.	0	0	0	0	800	NA	NA	NA
94. Cambridge Realty Capital Ltd.	0	0	0	0	0	0	0	0
95. Centerre Trust Co. of St. Louis	0	0	0	0	3	3	0	0
96. Cushman & Wakefield Realty Advisors	0	0	0	0	1,600	0	0	1,600
97. Dedenham Tewson & Chinnocks Associates	0	0	0	0	350	350	0	0
98. Forest Investment Associates*	NA	NA	NA	NA	NA	NA	NA	NA
99. Jacques & Kurdziel Ltd.	0	0	0	0	204	NA	NA	NA
100. Lexington Co.	0	0	0	0	50	50	0	0

NA Not available

*Would not disclose information

**Included in Copley Real Estate Advisors

***Total includes cash account

The following information in the profiles and charts on 101 real estate investment management companies was compiled from questionnaires sent to the companies. The contents are ©1986 by Crain Communications Inc. Reproduction without permission is prohibited.

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ACP Advisers Inc.

400 Park Ave., New York, N.Y., 10022; (212) 826-9700

Total real estate assets	$378 million
Equity	$378 million

As of June 30, ACP Advisers managed $378 million in real estate equity. The firm has no tax-exempt clients.

Fifty percent of the assets were invested for foreign clients.

The firm invests in office buildings, shopping centers, apartment buildings and land.

ACP Capital Appreciation Fund, a limited partnership is accepting tax-exempt contributions and will close Dec. 31. It invests in turnaround properties.

Daniele Bodini, president, is in charge of making property investments. Debra Flanz, vice president, is the client contact.

Acquest Capital Management Inc.

300 E. Long Lake Road, Suite 280, Bloomfield Hills, Mich. 48013; (313) 645-5130

Tax-exempt real estate assets	$43 million
Equity	$7 million
Hybrid debt	$24 million
Mortgages	$12 million
Tax-exempt real estate clients	7
Total real estate assets	$78 million
Equity	$15 million
Hybrid debt	$51 million
Mortgages	$12 million

As of June 30, Acquest Capital Management managed $43 million in tax-exempt real estate. The firm's holdings had a book value of $5.2 million in equities, $8 million in hybrid debt and $3.8 million in mortgages. Contributions committed but not yet received accounted for $2 million, $16 million and $8 million, respectively.

All the assets were in direct, separate accounts. Acquest Capital invests 25% in existing properties and 75% in development properties.

Its asset mix by property type was 45% office, 25% light industrial, 15% residential and 15% hotels. Properties are acquired nationwide with a Midwest emphasis.

It conducts computer-based analysis of monthly operating statements with regular feedback to outside property management firms and clients. Employees visit sites at least quarterly.

Clients include Dow Chemical, Operating Engineers' pension fund and Carpenters' pension trust fund.

David G. Ong, president, is in charge of making property investments and is the client contact.

Aetna Life & Casualty

151 Farmington Ave., Hartford, Conn. 06156; (203) 636-6226

Tax-exempt real estate assets	$15,858 million
Equity	$2,538 million
Hybrid debt	$1,133 million
Mortgages	$12,187 million
Tax-exempt real estate clients	585
Total real estate assets	$21,533 million
Equity	$3,547 million
Hybrid debt	$1,133 million
Mortgages	$16,853 million

As of June 30, Aetna Life managed almost $15.9 billion in tax-exempt real estate assets; $2.5 billion in equity, $1.1 billion in hybrid debt and $12.2 billion in mortgages.

The equity assets had market value of $1.96 billion and book value of $1.79 billion. Contributions received but not invested totaled $164 million and contributions committed but not yet received, $412 million. There was $45.1 million in debt connected with the properties.

The hybrid debt holdings had market value of $977 million and book value of $891 million. Contributions received but not invested totaled $56 million and contributions committed but not received, $100 million.

Commingled funds held $2.2 billion in equity, $993 million in hybrid debt and $12.2 billion in mortgages. Direct separate accounts comprised $302 million in equity and $140 million in hybrid debt.

Ninety-seven percent of tax-exempt assets are invested in existing properties and 3% in development properties.

The mix by property type is office, 42%; office research and development, 15%; apartments, 14%; retail, 13%; industrial, 8%; hotel, 8%.

Its current emphasis is on apartment development projects on a forward commitment basis with experienced developers focusing on the West and Northeast, and retail facilities with special niches or potential.

Either developer/partners or local, third-party managers are retained for day-to-day, on-site management, supervised by Aetna's staff. Frequent on-site inspections are made.

Aetna offers commingled open- and closed-end equity accounts and participating mortgages accounts; individual separate accounts; and single property separate accounts.

Real Estate Separate Account, an open-end fund, makes equity real estate investments structured either as joint ventures or wholly owned properties. All property types are represented, and are either existing, well-leased buildings or to-be-built projects.

Participating Mortgage Separate Account, also open-end, invests through tax-efficient land-purchase, lease-back structures.

Union Separate Account, open-end, makes participating mortgage investments in union-built properties. Investments are diversified by property type and location.

The investments of the Closed-End Real Estate Separate Account I include five office buildings, five office/research and development facilities and one industrial property.

Closed-End Real Estate Separate Account II differs from CERESA I in that it places greater empnasis on apartment complexes, to-be-built projects and use of forward commitments. Investments include three apartments, one office building and one office/research and development facility. The expected terms of both CERESA I and II are 12 years.

The Apartment Development Fund, a closed-end fund, invests exclusively in to-be-built apartment complexes using joint venture partnerships with major developers. It seeks projects in high-demand locations, typically low-rise suburban garden apartments. The expected term is seven years.

William M. Russell, senior vice president-real estate equity investments and Blake W. Irons, senior vice president-real estate finance, are in charge of making property investments. T. Jerald Moore, vice president-employee benefits division, is the client contact.

AgriVest

500 Winding Brook Drive, P.O. Box 996, Glastonbury, Conn. 06033; (203) 659-3711

Total real estate assets	$475 million
Equity	$40 million
Mortgages	$435 million

Agrivest had $475 million under management as of June 30. The firm had no tax-exempt clients.

Assets are invested in prime agricultural real estate and portfolios are individually managed.

The firm retains local property managers for on-site management. Officers of the firm periodically visit all properties.

AgriVest is the adviser and property manager for an agricultural real estate fund now being offered on a private placement basis to institutional investors.

James B. McCandless, executive vice president, is in charge of property investments. George E. Schwab, president, is the client contact.

The institutional brokerage sur-

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Separate Accounts: *As investment advisor on a non-discretionary basis, Landauer makes direct investments in real estate, and manages properties on a supervisory basis after acquisition.*

Landauer, a leading national real estate consultant for 40 years, has been actively investing for pension funds and institutions since 1969.

For further information call:
Frank B. McBrearity, Jr., President

LANDAUER
ADVISORS INC.
335 Madison Avenue, New York, NY 10017 (212) 697-2323

Aldrich, Eastman & Waltch

265 Franklin St., Boston, Mass. 02110; (617) 439-9000

Tax-exempt real estate assets	$1,700 million
Equity	$300 million
Hybrid debt	$1,300 million
Mortgages	$100 million
Total real estate assets	$1,700 million
Equity	$300 million
Hybrid debt	$1,300 million
Mortgages	$100 million

As of June 30, $230 million in tax-exempt real estate assets held by Aldrich, Eastman & Waltch Inc. were in commingled or pooled funds: $130 million in equity and $100 million in hybrid debt. Direct, separate accounts held $1.47 billion, of which $170 million was in equity, $1.2 billion in hybrid debt and $100 million in mortgages.

Its tax-exempt assets were invested 95% in existing properties and 5% in development properties. The asset mix by property type was retail, 55%; office, 30%; industrial/research and development, 10%; and development, 5%.

Aldrich, Eastman & Waltch serves as the real estate investment adviser to State Street Bank and Trust Co.'s series of closed-end, commingled funds.

Properties are concentrated in the East and West.

There are various property management arrangements depending on investment structure and property needs. The borrower/partner is often the property manager. For fee-owned properties, an incentive compensated manager is hired when implementing leasing or capital improvement programs. For general maintenance, a contract manager will be considered. Properties are visited quarterly.

Thomas G. Eastman, chief investment officer, is in charge of making property investments. G. William Helm Jr., president, is client contact.

AMB Investments Inc.

345 California St., 29th floor, San Francisco, Calif. 94104; (415) 956-5100

Total real estate assets	$190 million
Equity	$190 million

As of June 30, AMB Investments Inc. had $190 million in equities under management in taxable accounts. It had no tax-exempt clients.

It offers separate accounts for investment in commercial real estate in the West. Substantially leased projects with minimal leasing exposure in the near term are sought.

Douglas D. Abbey, principal, is in charge of making property investments. T. Robert Burke, principal, is the client contact.

Am Cal Co.

4730 Woodman Ave., Suite 220, Sherman Oaks, Calif. 91423; (818) 990-3250

Tax-exempt real estate assets	$396 million
Equity	$232 million
Mortgages	$164 million
Tax-exempt real estate clients	6
Total real estate assets	$396 million
Equity	$232 million
Mortgages	$164 million

As of June 30, Am Cal Co. had $396 million in tax-exempt real estate assets under management. Of the $231.9 million in equity holdings, $9 million was in contributions committed, not yet received and $24.5 million was in contributions received, not invested. Am Cal's mortgage total included $8.5 million in contributions received, but not yet invested.

The book value of equity holdings was $192 million, the market value was $198 million. The book and market values of the mortgage holdings were $156 million each.

Of the total, $10 million was in commingled equity funds and $386.2 million was in direct separate accounts.

Ninety percent of the tax-exempt assets are invested in existing properties and 10% in development properties. The asset mix by property type is: retail, 26%; office, 13%; apartments, 6%; industrial, 12%; medical, 8%; warehouse, 5%; office warehouse, 18%; bank buildings, 4%. Am Cal also held 10% in cash equivalents.

Am Cal's acquisition emphasis is on industrial, strip centers, office and mini-warehouse properties nationwide. It also seeks forward loan commitments on properties in Hawaii and Southern California.

Staff on-site inspections are made before investment and at least semiannually thereafter.

Clients include Missouri State Employees', Hawaii Development Foundation, Centerre Trust Co. of St. Louis and Southeastern Electrical Retirement System.

Cathy Duggan is in charge of making property investments. S.Q. Della-Grotta, executive vice president, is the client contact.

American Agricultural Investment Management

2603 W. 22nd St., Suite 17, Oak Brook, Ill. 60521; (312) 654-6616

Tax-exempt real estate assets	$9 million
Equity	$9 million
Total real estate assets	$9 million
Equity	$9 million

As of June 30, American Agricultural Investment Management Co. Inc. had $9 million in tax-exempt assets under management, all in real estate equity.

The book and market values of the holdings were $9 million.

All of the tax-exempt assets are invested in existing properties nationwide.

The firm offers closed-end equity group trusts and uses regional property management firms. Its three Heartland Group Trusts make equity investments in productive farmland.

H. Joseph Bourn, president, is in charge of making property investments, and is the client contact.

Angeles Institutional Advisors Inc.

10301 W. Pico Blvd., Los Angeles, Calif. 90064; (213) 277-4900

Total real estate assets	$800 million

Angeles Institutional Advisors Inc. has no U.S. institutional tax-exempt clients. Its taxable assets are invested in existing properties, primarily apartments, offices and shopping centers.

Richard H. Tourtelot, executive vice president-acquisitions, is in charge of property investments. Mark W. Gibello, president, is the client contact.

b

Balcor Institutional Realty Advisors Inc.

4849 Golf Road, Skokie, Ill. 60077; (312) 676-6980

Tax-exempt real estate assets	$1,853 million
Equity	$297 million
Hybrid debt	$1,556 million
Tax-exempt real estate clients	193
Total real estate assets	$2,758 million
Equity	$1,202 million
Hybrid debt	$1,556 million

As of June 30, the book value of Balcor Institutional's pure equity real estate holdings for tax-exempt clients was $290.5 million; market value was $297.3 million.

The values of its hybrid debt holdings were $1.38 billion and $1.56 billion, respectively. These assets include a small percentage of mortgages without equity participations or wrap-around features.

All the tax-exempt assets were in commingled or pooled funds; 70% is invested in existing properties and 30% in development properties.

Balcor Institutional, a subsidiary of The Balcor Co., acquires office, retail, residential, mini-warehouses, mobile home parks and industrial properties nationwide, avoiding the Southwest.

Balcor Institutional has several limited partnerships: Balcor Pension Investors (BPI) closed in 1980 and has $71.7 million; BPI-II closed in 1981 and has $85 million; BPI-III closed in 1982 and has $118.7 million; BPI-IV closed in 1983 and has $214.8 million; BPI-V closed in 1984 and has $219.7 million; BPI-VI closed in 1984 and has $345.6 million; BPI-VII is open and has $48 million; Balcor Equity Pension Inves-

A Commentary from
the "Recognized Authority in Real Estate Appraisal"

WHEN YOU'RE IN REAL ESTATE, YOU SHOULD KNOW THE RULES OF THE GAME.

The play-by-play in real estate used to be simple:
Invest
Property appreciates in value
Sell property

But today properties don't automatically increase in value due to overbuilt markets, slowing inflation, and other uncertainties. To understand how a property is valued in this more complex arena, investors need to know the rules and hire the appraisers who follow them.

Unfortunately, not everyone plays by the same rules. There are no industry-wide standards for real estate appraisers. Not yet. But the American Institute of Real Estate Appraisers (the Appraisal Institute) has offered its own Standards of Professional Practice as a model for nationwide legislation because we think they are the best anywhere.

Standard 1: "In developing a real estate appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal."

Standard 2: "In reporting the results of a real estate appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading."

They sound simple, but these two rules cover just about any type of appraisal assignment. Twenty pages of explanatory comments accompany these standards, along with guide notes on specific types of assignments and our Code of Professional Ethics.

Who listens to the Appraisal Institute? Federal agencies and the leading federal mortgage insurers do. This year, the FHA, Fannie Mae, and Freddie Mac all adopted new appraisal guidelines that require appraisers to consider the effects of sales concessions and atypical financing on a property's value. The Institute's Standards already contained this requirement.

So, when you want to know the value of a property, hire an MAI or an RM, designated members of the Institute that wrote the rules.

Do your real estate investments deserve less?

MAI RM

AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS
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430 N. Michigan Avenue, Chicago, IL 60611-4088

ors (BEPI) closed in 1984 and has $179.6 million; BEPI-II closed in 1985 and has $234.9 million; and BEPI-III is open and has $171 million.

The BPI series are all hybrid debt programs; the BEPI series splits investments roughly 50-50 between hybrid debt and all-cash equity.

Its management is handled by Balcor Property Management Co., with outside managers used infrequently.

Clients include Sherwin Williams, United Artists, New York State Teamsters and Minneapolis Employees.

John L. West, executive vice president, is the client contact.

Bank of America Investment Real Estate

180 Montgomery St., Suite 2300, San Francisco, Calif. 94104; (415) 622-3960

Tax-exempt real estate assets	$85 million
Equity	$85 million
Tax-exempt real estate clients	152
Total real estate assets managed	$400 million
Equity	$400 million

As of June 30, Bank of America had $63 million in commingled or pooled real estate equity funds and $22 million in direct, separate accounts for tax-exempt clients.

Of the total, $315 million was invested for foreign clients.

All of the tax-exempt assets are invested in existing properties. The asset mix by property type is 30% shopping centers, 32% office buildings, 31% research and development and 7% light industrial. It concentrates on 5- to 10-year-old properties in major metropolitan areas generally on the West or East coasts.

Bank of America Real Estate Fund, an open-end fund, is undergoing liquidations.

Management of most properties is contracted to on-site managers who are overseen by the asset management section.

William D. Reiss, vice president and director of acquisitions, is in charge of making property investments. Jack S. Cooper, vice president and managing director, is the client contact.

Bennett and Kahnweiler Realty Advisors

9700 W. Bryn Mawr, Rosemont, Ill. 60018; (312) 671-7911

Tax-exempt real estate assets	$125 million
Equity	$125 million
Tax-exempt real estate clients	2
Total real estate assets	$400 million
Equity	$400 million

As of June 30, Bennett and Kahnweiler Realty Advisors managed $125 million in real estate equity. Of the total, $75 million was for contributions received but not invested. The firm's property holdings had a book value of $50 million.

The tax-exempt assets are in direct, separate accounts for two public fund clients.

Of the tax-exempt assets, 75% is invested in existing properties and 25%, in development properties. The asset mix by property type is: offices, 40%; industrial, 50%; retail, 10%.

Top 10 real estate managers ranked by tax-exempt assets in real estate equity ($ millions)

	Firm	Equity
1.	Prudential Realty Group	$6,118
2.	Equitable Real Estate Investment Mgmt.	5,222
3.	RREEF Funds	2,997
4.	Heitman Advisory Corp.	2,918
5.	Copley Real Estate Advisors	2,561
6.	Aetna Life & Casualty	2,537
7.	LaSalle Advisors Inc.	2,206
8.	Corporate Property Investors	2,028
9.	JMB Institutional Realty Corp.	1,777
10.	Eastdil Realty Inc.	1,227

It emphasizes retail, industrial, apartments and land in the Midwest and Rocky Mountain regions. The firm generally does its own property management.

Clients are the Illinois teachers' retirement system and Ohio teachers' retirement system.

James S. Smith, president, is in charge of making property investments and is the client contact.

The Boston Company Real Estate Counsel Inc.

1 Boston Place, Boston, Mass. 02106; (617) 722-7190

Tax-exempt real estate assets	$1,391 million
Equity	$93 million
Hybrid debt	$1,298 million
Tax-exempt real estate clients	15
Total real estate assets managed	$1,551 million
Equity	$253 million
Hybrid debt	$1,298 million

As of June 30, the Boston Company Real Estate Counsel Inc. managed $1.39 billion in real estate assets for 14 tax-exempt clients, all in direct, separate accounts.

Of that, $120 in hybrid debt was in contributions committed but not yet received. The firm's holdings, including hybrid debt, had a book value of $1.24 billion and a market value of $1.27 billion. The pure equity investments had $48 million in debt connected with them, and the hybrid debt, $96 million.

Of the tax-exempt assets, 92% is invested in existing properties and 8% in development properties. The mix by property type is: office, 71%; industrial, 3%; research and development, 6%; retail, 19%; and mixed use, 1%.

The firm's tax-exempt real estate assets are invested mostly in hybrid debt, and investments are made in properties appropriate to client portfolios nationwide.

Clients include AT&T, GM, Rockwell International and Texas Teachers.

Mary L. Johnston, senior vice president, is in charge of making property investments. Robert A. Radloff, president, is the client contact.

Boston Financial Real Estate Advisors

225 Franklin St., 29th floor, Boston, Mass., 02110; (617) 542-4475

Tax-exempt real estate assets	$5 million
Equity	$5 million
Tax-exempt real estate clients	1
Total real estate assets	$3,600 million
Equity	$800 million
Mortgages	$2,800 million

As of June 30, Boston Financial Real Estate Advisors managed $5 million in tax-exempt real estate assets.

The amount, representing contributions committed but not yet received, is all for one commingled account.

The firm offers a closed-end equity real estate fund and direct separate account investment management service.

The commingled fund, Boston Financial Real Estate Equity Group Trust, is open for subscription until April 30; a $20 million minimum is necessary before investment can begin.

The firm plans on investing in mixed-use existing properties in 57 target secondary growth markets. Boston Financial Property Management will be retained as on-site property manager or as supervisor/adviser to an independent local property manager.

Its tax-exempt client is Massachusetts.

Duncan Chisholm, senior vice president, is in charge of making property investments. Peter F. Tague, senior vice president, is the client contact.

Alex. Brown Realty Advisors

225 E. Redwood St., Baltimore, Md. 21202; (301) 727-3884

Tax-exempt real estate assets	$775 million
Hybrid debt	$775 million
Tax-exempt real estate clients	3
Total real estate assets	$775 million
Hybrid debt	$775 million

As of June 30, the book value of Alex. Brown Realty Advisors Inc.'s hybrid debt holdings for tax-exempt clients was $346 million; market value was $367 million.

Contributions received but not invested accounted for $408 million of the total assets.

All of the assets were in direct, separate accounts; 70% is invested in existing property and 30% in development property.

The asset mix by property type is: office, 55%; industrial, 5%; retail, 15%; residential, 5%; hotels, 20%.

Acquisition emphasis is on industrial, office and retail properties nationwide.

Its asset management style is strongly detail oriented. Sites are visited quarterly. The developer/owner does the property management, and the managers usually have an equity interest in the projects.

Clients include Oregon Public Employes, Texas Teachers and Virginia Supplemental Retirement System.

Robert H. Gidel, president, is in charge of making property investments. William K. Morrill Jr. is the client contact.

Cambridge Realty Capital

200 W. Superior, Chicago, Ill. 60610; (312) 943-1911

As of June 30, Cambridge Realty Capital Ltd. had no real estate assets under management.

It plans to actively enter the tax-exempt market, offering direct, separate accounts, targeting office, retail and industrial sites. It will acquire properties nationwide with an emphasis on the Midwest.

Jeffrey A. Davis, client contact, will be in charge of making property investments.

Centerre Trust Co. of St. Louis

510 Locust St., St. Louis, Mo. 63101; (314) 436-9014

Tax-exempt real estate assets	$2.5 million
Equity	$2.5 million
Tax-exempt real estate clients	1

As of June 30, Centerre Trust Co. of St. Louis managed $2.5 million in tax-exempt equity real estate investments for one corporate client.

All of the assets are in existing properties.

The firm offers an open-end equity real estate fund and seeks income-producing properties nationwide.

Centerre acts as a "manager of managers" with each individual manager being responsible for its own property.

Roger C. Krasnicki, vice president, is in charge of making property investments.

Lisa A. Fisher, investment officer and assistant secretary, is the client contact.

Chase Investors Management Corp.

1211 Avenue of the Americas, 15th floor, New York, N.Y. 10036; (212) 730-3642

Tax-exempt real estate assets	$66 million
Equity	$14 million
Hybrid debt	$52 million
Tax-exempt real estate clients	5
Total real estate assets	$1,553 million
Equity	$1,385 million
Hybrid debt	$139 million
Mortgages	$29 million

As of June 30, Chase Investors Management managed $66 million in real estate assets for five tax-exempt clients. Of that, $14.3 million was in commingled equity and $51.7 was in commingled debt.

By investment vehicle, the market value of its property holdings was $63.6 million; $11.9 million in 100% real estate equity and $51.7 million in hybrid debt.

Of the $14.3 million in equity, $2.4 million was for contributions received but not yet invested.

Of the $1.55 billion in real estate, $1.49 billion was invested for foreign clients.

All of the tax-exempt assets are invested in existing office properties.

Chase offers an open-end commingled fund called the Chase Bank Real Estate Investment Fund as well as separate account management.

The firm mainly acquires property in regional shopping centers and well-located, first-class downtown office buildings concentrated in 12 to 14 major U.S. metropolitan areas and their suburbs.

Properties are managed by third-party local companies. Investment management personnel visit properties at least six times a year.

John S. Boynton, vice president-director of acquisitions, is in charge of making property investments. Henry W. Haynes Jr., managing director, is the client contact.

Chemical Bank

277 Park Ave., New York, N.Y., 10172; (212) 310-5011

Tax-exempt real estate assets	$27 million
Equity	$13 million
Hybrid debt	$13 million
Tax-exempt real estate clients	3
Total real estate assets	$39 million
Equity	$25 million
Hybrid debt	$13 million

As of June 30, Chemical Bank's equity real estate holdings had a market value of $13.4 million and a book value of $13.3 million. There was $2 million in debt connected with those properties.

Its hybrid-debt holdings had a market value of $13.4 million and a book value of $11 million.

All the bank's assets were in commingled equity or hybrid debt funds. It offers open-end real estate funds.

All assets were invested in existing properties. The asset mix by type of property was office, 60.5%; industrial, 20.5%; retail, 18.3%; other, 0.7%.

The current emphasis is on commercial properties in the Northeast. On a day-to-day basis, properties are managed by outside real estate management firms. Chemical Bank's Real Estate Equities Fund personnel visit each property as often as deemed necessary.

Clients include Chemical Bank Retirement Plan, Warner Lambert and Shulton.

Eric Jurist, vice president, is in charge of making property investments and is the client contact.

Chestertons USA

630 Fifth Ave., New York, N.Y. 10111; (212) 765-1540

Total real estate assets	$251 million
Equity	$145 million
Hybrid debt	$106 million

As of June 30, Chestertons USA managed $251 million in real estate assets for foreign clients.

Chestertons USA invests 70% in existing properties and 30% in development properties, concentrating on retail and industrial properties in the Northeast. Its current holdings include office buildings, shopping centers and office/warehouses.

Chestertons either retains third-party contract managers for property management or partners manage the properties on site.

James J. Brinkerhoff, president, is in charge of making property investments and is the client contact.

Citicorp Investment Management

1 Citicorp Center, 153 E. 53rd St., 15th floor, New York, N.Y. 10043; (212) 559-9332

Tax-exempt real estate assets	$774 million
Equity	$573 million
Hybrid debt	$135 million
Mortgages	$67 million
Tax-exempt real estate clients	68
Total real estate assets	$1.273 billion
Equity	$1.072 billion
Hybrid debt	$135 million
Mortgages	$67 million

As of June 30, Citicorp Investment Management managed $773.8 million in tax-exempt assets. Of that, $577.7 million was in commingled or pooled funds, and $196.1 was in direct, separate accounts for equity.

The market value of its real estate equity holdings was $540.3 million; hybrid debt, $134.5 million; and mortgages, $66.8 million. Book value was $391.9 million, $107.2 million and $63 million, respectively.

Contributions received, not invested for equity was $32.2 million.

Of the total real estate assets,

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Contact Kathryn Lindner, CPM®, Senior Vice President

$499.9 million was for foreign clients; $113.7 million of that for foreign pension funds.

The firm offers open- and closed-end funds as well as separate accounts.

All of the tax-exempt assets are invested in existing properties. The asset mix by property type is offices, 90%; individual, 10%.

Investment emphasis is on midsize shopping centers, well-leased office buildings and industrial buildings with good cash flow in larger cities with diversified economies.

Citicorp offers four commingled funds, one for equity real estate, one for hybrid debt and two for mortgage investments. The Real Estate Equity Fund is being restructured to increase cash flow and diversification of assets and will be marketed starting in the fourth quarter.

Clients include GM, Westinghouse, Ford and AT&T.

Michael Vitale, vice president, is in charge of making property investments. H. Piper Andrews Jr., vice president, is the client contact.

Coldwell Banker

533 Fremont Ave., Los Angeles, Calif. 90071; (213) 613-3491

Tax-exempt real estate assets	$592 million
Equity	$592 million
Tax-exempt real estate clients	42
Total real estate assets	$710 million
Equity	$710 million

As of June 30, the book value of Coldwell Banker's equity real estate holdings for tax-exempt clients was $519 million; market value was $577.9 million. Contributions received but not invested totaled $14 million. The properties had $55.6 million in debt connected with them.

Of the total tax-exempt assets, $430.4 million was in commingled or pooled accounts and clients; $161.5 million was in direct, separate accounts.

There are seven closed-end funds — Fund II through Fund VIII — that are limited partnerships and are now closed. They are equity funds with up to 30% development. All funds are invested except for $14 million in Fund VIII.

Coldwell Banker invests 70% of tax-exempt assets in existing properties and 30% in development properties. Asset mix by property type was 40.7% office, 22.7% retail and 36.6% industrial.

The current emphasis is on the East Coast and Midwest, with some West Coast investments, and on office, retail, industrial and research and development properties.

Coldwell Banker has in-house asset managers who supervise local managers.

Clients include North American Philips, AT&T, ITT and Dow Chemical.

Tad Jones, president, is in charge of making property investments. James G. Nugent, senior vice president, is client contact.

Continental Forest Investments Inc.

33 Bull St., Box 8969, Savannah, Ga. 31412; (912) 236-7137

Tax-exempt real estate assets	$10 million
Equity	$10 million
Tax-exempt real estate clients	1
Total real estate assets	$40 million
Equity	$40 million

Continental Forest Investment's holdings, which are entirely in timberland, had a market value of $10 million, as of June 30.

The firm emphasizes diversified timberland portfolios in the Southeast, with direct equity investments in timberland, timberland management services and timberland investment advisory services.

There is comprehensive in-house management with on-site foresters. Services include maintenance, full accounting and sales.

W.W. Herbst, executive vice president, is in charge of property investments. C.E. Bush, vice president and general manager, is client contact.

Consultants directory: Nov. 10.

Copley Real Estate Advisors

399 Boylston St., Boston, Mass. 02116; (617) 578-1200

Tax-exempt real estate assets	$2,561 million
Equity	$2,561 million
Tax-exempt real estate clients	139
Total real estate assets	$5,700 million
Equity	$5,700 million

As of June 30, the market value of Copley Real Estate's equity holdings for tax-exempt clients was $1.8 billion. There was $465.9 million in debt connected with the properties.

Contributions received but not invested were $161 million; contributions committed but not yet received were $127 million.

Commingled or pooled funds held $2.41 billion and direct, separate accounts, $148 million.

Half of the tax-exempt assets are invested in existing properties and half in development properties. The asset mix by property type was 50% industrial, 20% research and development, 20% offices and 10% other.

Copley concentrates its investment activity among 13 primary markets nationwide, focusing on industrial and research and development buildings.

Property management is usually handled by the local joint venture partner.

Copley has an open-end commingled fund, the Developmental Properties Account; a closed-end commingled fund, Copley Institutional Investors Fund, which opened in July; and Copley Investors Limited Partnership.

A substantial amount of assets under management is derived from equity investments from New England Mutual Life Insurance Co.'s general account and developmental properties account. Copley is a wholly owned subsidiary of New England Mutual Life Insurance Co.

Kevin Mahony, principal, is in charge of making property investments. John Phillips Jr., principal, is the client contact.

Corporate Property Investors

305 E. 47th St., New York, N.Y. 10017; (212) 421-8200

Tax-exempt real estate assets	$1,844 million
Equity	$1,844 million
Tax-exempt real estate clients	147
Total real estate assets	$3,050 million
Equity	$2,672 million
Mortgages	$378 million

Corporate Property Investors, a real estate investment trust, had more than $1.8 billion in tax-exempt real estate equity as of June 30. Mortgages on property in which it has equity interests accounted for an additional $184 million. The holdings had a market value of $842 million, all in equity, and $1 billion in equity in CPI partnerships.

Of its total assets, $1 billion was from foreign clients.

Corporate Property Investors invests in institutional income-producing commercial properties; 80% was in regional shopping centers. All but 2%

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of assets were invested in existing properties.

Clients include AT&T, Ford Foundation, Pennsylvania Public Employees and Yale University.

Hans C. Mautner, president, is in charge of making property investments. Warren Hamer is the client contact.

Cushman & Wakefield Realty Advisors Inc.

1166 Avenue of the Americas, New York, N.Y. 10036; (212) 841-7750

Total real estate assets	$1,600 million
Hybrid debt	$1,600 million

Cushman & Wakefield Realty Advisors had no tax-exempt clients as of June 30.

It offers separately managed accounts, real estate investment trusts, syndications, direct investment, investment and portfolio strategy consulting and asset management.

The firm's acquisitions emphasis is on office properties, particularly in downtown areas of primary cities.

The firm uses C&W Property Management where possible. In other cases, C&W's property management group coordinates and oversees activities of outside property managers.

Michael C.J. Fallon, senior vice president, is in charge of property investments and is the client contact.

d

D.A. Management Inc.

7777 Center Ave., Suite 500, Huntington Beach, Calif. 92647; (714) 891-6080

Tax-exempt real estate assets	$26 million
Equity	$4 million
Mortgages	$22 million
Tax-exempt real estate clients	2
Total real estate assets	$84 million
Equity	$34 million
Mortgages	$50 million

As of June 30, D.A. Management Inc.'s equity holdings for tax-exempt clients had a book value of $5.7 million. Its mortgage holdings had book value of $28 million.

Contributions received but not invested accounted for $4.3 million in equity and $22 million in mortgages.

All tax-exempt assets were in direct, separate accounts; 95% is invested in existing properties and 5% in development properties.

Asset mix by property type was commercial, 45%; residential, 42%; and industrial, 13%. D.A.'s current emphasis is on commercial and industrial properties in Southern California and Arizona.

All properties are managed in-house, with on-site personnel where necessary.

Clients include the San Bernardino County Employees and Orange County Employees.

Daniel M. Ardell, president, is in charge of making property investments and is the client contact.

Debenham Tewson & Chinnocks Associates

450 Park Ave., Suite 1902, New York, N.Y. 10022; (212) 758-8218

Total real estate assets	$350 million
Equity	$350 million

Debenham Tewson & Chinnocks Associates managed $350 in real estate equity for four foreign pension fund clients as of June 30.

All of the firm's investments were in existing properties. The asset mix by property type: offices, 75%; retail, 25%.

It takes an opportunistic investment approach in established demographic centers.

C.J. Wood, partner, is in charge of making property investments and is the client contact.

e

Eastdil Realty Inc.

40 W. 57th St., New York, N.Y. 10019; (212) 315-7200

Tax-exempt real estate assets	$1,307 million
Equity	$1,227 million
Hybrid debt	$65 million
Mortgages	$15 million
Tax-exempt real estate clients	10
Total real estate assets	$1,480 million
Equity	$1,400 million
Hybrid debt	$65 million
Mortgages	$15 million

As of June 30, Eastdil Realty's equity holdings for tax-exempt clients had a book value of $1.03 billion and a market value of $1.17 billion. Hybrid debt had book value of $58.8 million and market value of $64.9 million; mortgages had a value of $15.9 million and $15.1 million, respectively.

There was $20.2 million in debt connected with equity properties.

Contributions committed but not received for pure equity investments amounted to $60.3 million.

All of the mortgage and hybrid debt holdings and $1.2 billion of the equity assets are in direct, separate accounts. The remaining $27 million in equities is in a pooled account.

Eastdil Corporate Partners, a closed-end limited partnership, acquires general-purpose corporate real estate and leases it back to the corporate seller. ECP also acquires a small equity position in the seller in the form of stock, warrants or revenue participation.

The firm invests 95% in existing properties and 5% in development properties.

Eastdil asset managers visit properties monthly. Management is provided by venture partners, local specialists or Eastdil personnel.

Clients include AT&T and the California State Teachers.

Robert T. Davis, executive vice president, is in charge of making property investments. Donald E. Conover, vice president, is the client contact.

Top 10 real estate managers ranked by new business ($ millions)

	Firm	New business
1.	Richard Ellis Inc.	$1,020
2.	Balcor Institutional Realty Advisors	985
3.	Aetna Life & Casualty	843
4.	JMB Institutional Realty Corp.	710
5.	Equitable Real Estate Investment Mgmt.	641
6.	Heitman Advisory Corp.	611
7.	F.I.A. Associates	492
8.	NCNB National Bank	440
9.	Boston Co. Real Estate Counsel	400
10.	TCW Realty Advisors	396

Richard Ellis Inc.

350 Park Ave., New York, N.Y. 10022; (212) 355-4810

Tax-exempt real estate assets	$642 million
Equity	$544 million
Hybrid debt	$98 million
Tax-exempt real estate clients	3
Total real estate assets	$2,146 million
Equity	$1,921 million
Hybrid debt	$225 million

As of June 30, Richard Ellis Inc. managed $642 million in tax-exempt assets: $544 million in equity, of which $240 million was for contributions committed but not yet received; and $98 million in hybrid debt, of which $50 million was not yet received.

The equity holdings had a market value of $304 million and a book value of $261 million. The market value of the hybrid debt was $48 million and the book value, $41 million. There was $130 million in debt connected with the equity holdings.

All assets were in direct, separate accounts for one public and two corporate funds.

Of the total under management, $1.5 billion was for foreign clients — $1.3 billion for foreign pension funds.

The tax-exempt assets are invested 88% in existing properties and 12% in developmental properties.

The tax-exempt asset mix by property type is 66% office buildings, 30% in regional malls and retail and 4% in industrial/research and development.

The firm offers tailored, individually managed separate accounts and advisory relationships.

Managers focus on major office buildings and regional malls in areas characterized by sustained economic growth found in conjunction with constraints on the development of competing properties.

It manages property through its affiliated property management company or through a strong, local property management company. Asset managers supervise the on-site manager through regular visits and the budget process.

Clients include San Bernardino County, Bell Operating, St. Paul Insurance and Dutch Shell Retirement.

Christopher D. Budden, president, is in charge of property investments. David R. Hodes, vice president, is the client contact.

Equitable Real Estate Investment Management

787 Seventh Ave., 46th floor, New York, N.Y. 10019; (212) 554-4213

Tax-exempt real estate assets	$5,521 million
Equity	$5,222 million
Hybrid debt	$256 million
Mortgages	$43 million
Tax-exempt real estate clients	262
Total real estate assets	$23,568 million
Equity	$12,695 million
Hybrid debt	$2,618 million
Mortgages	$8,256 million

Equitable Real Estate Investment Management Inc. had $5.52 billion in tax-exempt assets under management June 30.

Of the $5.2 billion in 100% equity $167 million was in contributions committed but not yet received, and $149 million was in contributions received but not invested. Market value of the equity holdings was $4.9 billion, and book value, $3.2 billion. There was $355 million in debt connected with the equity holdings.

Of the $5.2 billion in equity, commingled or pooled funds accounted for $3.8 billion of the equity assets; $1.4 billion was in direct, separate accounts.

The hybrid debt assets, with market value of $256 million and book value of $253 million, were divided $235 million in commingled funds and $21 million in direct accounts. Of the $43 million in mortgages, $12 million was in commingled or pooled accounts and $31 million in direct, separate accounts.

There are 256 clients in commingled or pooled funds and six clients for direct accounts, representing corporate, public and union retirement systems.

Of the tax-exempt assets invested, 98% are in existing properties and 2% are in development properties. Asset mix by property type was 36.2% office, 19.4% industrial, 37.5% retail, 6.7% hotels and 0.2% specialized.

Of the total under management, $1.1 billion was for foreign clients.

Equitable offers open- and closed-end real estate funds and direct separate account investment management. Acquisition strategy focuses on properties with excellent long-term growth potential, such as well-located center city office buildings, regional shopping centers, select neighborhood centers and industrial properties.

The firm uses in-house managers as well as outside agents to manage the funds' properties. Each regional property manager oversees the management of all of the properties in his region, both agent-managed and in-house managed properties.

The Equitable Prime Property Fund, an open-end commingled fund with net assets totaling $2.9 billion June 30, emphasizes long-term investments in income-producing office, industrial, retail, hotel and specialized properties. Various investment structures are used, including wholly owned purchases, joint ventures, forward commitments and construction loans in connection with a forward commitment or within a joint venture.

The closed-end New Properties Fund (Account 16), with assets of $43 million on June 30, is a series of funds designed to meet specific client requirements. Each takes an opportunistic approach to the market.

Clients include Exxon, Florida, Westinghouse and North American Phillips.

George R. Puskar, president and chief operating officer, is in charge of property investments. Joyce R. Frater, senior vice president, is client contact.

Equitec Institutional Realty Advisers Inc.

7677 Oakport St., Oakland, Calif. 94614; (415) 430-9900

Tax-exempt real estate assets	$106 million
Equity	$106 million
Tax-exempt real estate clients	1
Total real estate assets	$1,500 million
Equity	$1,500 million

As of June 30, Equitec's $106 million in 100% equity real estate holdings had a market value of $55 million and book value of $52 million. Contributions received but not invested accounted for $50 million of the total and contributions committed but not yet received, $1 million.

There was $8 million in debt connected with the properties.

Commingled or pooled accounts held $86 million and direct, separate accounts, $20 million.

All of the tax-exempt assets are invested in existing properties, with an emphasis on fully leased office buildings in major urban areas. Properties are managed by on-site, in-house employees.

Equitec Institutional three commin

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gled funds are: Equitec Institutional Real Estate Fund, Fund II and Fund III. The first two are limited partnerships investing primarily in income-producing real estate. Fund III, a group trust, opened July 1.

Clients include Outboard Marine, Houston Municipal Employees and Illinois Power.

Marsden S. Cason, chairman and chief executive officer; Kenneth E. Nitzberg, president; and Russell M. McDonald, chairman, Equitec Properties Co., are in charge of making property investments.

Don Jackson, vice president of Equitec Institutional Realty, is the client contact.

f

F.I.A. Associates

1601 Response Road, Suite 300, Sacramento, Calif. 95815; (916) 920-4051

Tax-exempt real estate assets	$2,269 million
Equity	$834 million
Mortgages	$1,435 million
Tax-exempt real estate clients	5
Total real estate assets	$2,269 million
Equity	$834 million
Hybrid debt	$1,435 million

As of June 30, the holdings of F.I.A. Associates, a MeraBank company, had a book value of $1.6 billion and a market value of $1.7 billion, including hybrid debt.

Contributions received but not yet invested totaled $6 million, and contributions committed but not yet received were $492 million, including $305 million in hybrid debt.

Two commingled funds accounted for $119 million, $106 million in equity and $13 million in hybrid debt; and there was $2.1 billion in separate accounts, $728 million in equity and $1.4 billion in hybrid debt.

All tax-exempt assets are invested in existing properties. Asset mix by property type: industrial, 12%; office buildings, 60%; shopping centers/retail, 17%; apartments, 1%; mixed use, 8%; and hotels, 2%. Its acquisition strategy has a western concentration.

F.I.A. uses local property management exclusively, attempting to secure the best local organization. In-house asset managers closely monitor the property managers and inspect the properties on a regular basis.

The firm offers two closed-end funds and separate account management.

Profile Fund I is a $90 million fund with four participants. Profile Fund II is an open-end fund to which $29 million was committed by three participants as of June 30.

The type of properties involved in the Profile Funds include office buildings, industrial, shopping centers, multifamily residential and possibly hotels on a selective basis. Properties will be nationwide with a concerted effort to invest up to 50% of the amount committed by a major participant in the participant's home state at the client's option. Properties may be wholly owned or a joint venture and will range in size from $3 million to $18 million. Most properties will be acquired for cash. Leverage may be used in the form of taking over existing debt.

Clients include the retirement systems of the California public employees, Illinois teachers, Texas teachers and Utah.

Norm LaMar, executive vice president-acquisition department, and Stephen A. Rosenthal, vice president-acquisition department, are in charge of property investments. James L. Sublett and David L. Bonuccelli, senior executive vice presidents, are client contacts.

First Asset Realty Advisors

First Bank Place East, Minneapolis, Minn. 55480; (612) 370-4729

Tax-exempt real estate assets	$61 million
Equity	$61 million
Tax-exempt real estate clients	14
Total real estate assets	$61 million
Equity	$61 million

As of June 30, First Asset Realty Advisors had $61.3 million invested in 100% equity real estate for tax-exempt clients. The book value was $40.6 million; market value was $47.9 million. The amount of debt connected with the properties was $11.1 million.

Contributions received but not invested totaled $11.8 million, and contributions committed but not yet received totaled $1.6 million.

All tax-exempt real estate assets were in commingled or pooled funds for 14 corporate clients.

All tax-exempt assets were invested in existing properties.

The asset mix by property type was 83% retail and 17% office properties, with a focus on existing shopping centers in the Southeast and Midwest.

The firm has a "value-added" management style that often includes physical renovations. Center Cos. is used for property management.

First Asset offers open-end real estate funds and separate account management.

First Asset Real Estate Equity Fund is a collective fund that invests in shopping centers, office buildings and industrial properties nationwide. The current strategy is to select those properties with income stream and values that can be enhanced by aggressive management and the selective use of additional capital improvements.

Clients include First Bank System, Hormel, Pillsbury and General Mills.

Dennis Gethmann, director of acquisitions, is in charge of making property investments. Charles S. Ingwalson, president, is client contact.

First Chicago Investment Advisors

3 First National Plaza, Chicago, Ill. 60670; (312) 732-9708

Tax-exempt real estate assets	$921 million
Equity	$921 million
Tax-exempt real estate clients	131
Total real estate assets	$976 million
Equity	$976 million

As of June 30, First Chicago's equity holdings had a book value of $693.1 million and a market value of $808.5 million. There was $14.9 million in debt connected with the properties.

Contributions received but not yet invested totaled $18 million, and there was $96 million in contributions committed but not received.

Of the $921 million in tax-exempt assets, $852.2 million was in commingled or pooled funds for 130 clients, and $68.8 million was in a direct, separate account for one client.

First Chicago also manages $55.3 million for foreign clients.

First Chicago offers open- and closed-end real estate funds and direct separate account investment management.

All of its tax-exempt assets were invested in existing properties. Asset mix by property type was 39% office, 20% residential, 22% industrial and 19% retail.

The acquisition emphasis is on community-sized retail centers, luxury apartments in mature markets and select industrial properties.

Real Estate Fund F, with $506 million invested for 121 clients, inve
only in general purpose real estate
the upper end of the quality scale
focuses on total ownership positio
The open-end fund invests alm
exclusively in existing and leased pr
erties. Strategic diversification by t
geographic area and property type
maintained.

The First Apartment Fund invest
multitenant residential properti
Properties primarily are fully built
leased and wholly owned by the fu
Leverage may be used on own
properties, and the fund also
make forward commitments for par
pating or convertible mortgag
Emphasis is on the Sun Belt, altho
properties are located nationwide.

With the exception of Fund F's
gle-tenant properties under net leas
the management of properties is c
tracted to local property managem
firms. The on-site property manag
are responsible for all aspects of d
operations, and the firm's prope
managers monitor these activities.

Plans for the coming year includ

IF YOU ARE NOT IN REAL ESTATE, LET US INTRODUCE YOU.

IF YOU ARE, WE CAN HELP YOU DO IT BETTER.

First Chicago Investment Advisors (FCIA) offers a comprehensive range of real estate capabilities on a nationwide basis, designed for employee benefit plan sponsors with limited real estate exposure, as well as those with extensive exposure.

For example, while our Fund F provides a core representation in real estate for over 100 plan sponsors, the First Apartment Fund allowed plan sponsors to concentrate a portion of their real estate investment on a single aspect of the market.

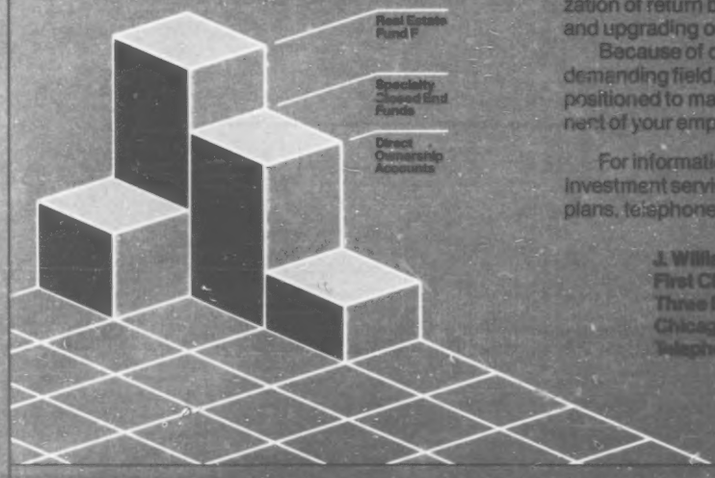
In addition to commingled real estate funds, FCIA manages accounts to reflect the specific requirements of individual clients.

As manager of more than $800 million in real estate assets, we combine practical knowledge of property acquisition, development and management with a thorough understanding of the special fiduciary needs of employee benefit plans.

Real estate can effectively add stability to an employee benefit plan's total portfolio —assuming that properties are well chosen and managed.

At FCIA, we stress long-term maximization of return by careful maintenance and upgrading of properties.

Because of our capabilities in this demanding field, we are exceptionally well positioned to manage the real estate component of your employee benefit plan's portfolio.



For information on FCIA's real estate investment services for employee benefit plans, telephone or write:

J. William Baker, Vice President
First Chicago Investment Advisors, N.A.
Three First National Plaza, Suite 0119
Chicago, Illinois 60670
Telephone: (312) 732-7941

First Chicago Investment Advisors

sed-end fund to invest in congre-e housing for the elderly. This uld be a $20 million minimum partic-tion.

Clients include General Motors, eing, Navistar and Caterpillar.

David A. Schwartz, vice president d acquisitions unit head, is in charge naking property investments. J. Wil-n Baker, vice president and product nager, is the client contact.

rst National Bank of Boston

0 Federal St., 19th floor, Boston, Mass. 02110; (617) 434-0494

-exempt real estate assets	$238 million
quity	$185 million
ybrid debt	$53 million
-exempt real estate clients	185
l real estate assets	$238 million
quity	$185 million
ybrid debt	$53 million

As of June 30, the book value of st National Bank of Boston's real ate holdings for tax-exempt clients s $168.9 million in equity and $50 lion in hybrid debt; market value s $148.3 million and $53.4 million pectively.

Contributions received but not ested totaled $36.9 million in equity. ere was $2.5 million in debt con-cted with the equity properties.

Of the assets invested in pure uity, $171 million was in commingled ooled funds and $14 million was in ect, separate accounts. Of the rid debt, $44 million was in com-gled or pooled funds and $9 million irect, separate accounts.

All tax-exempt assets were invested existing properties. The asset mix by perty type was 32% retail, 48% ce, 2% industrial and 18% research l development.

The current emphasis on acquisi-ns is on broad-based geographical l property type diversification.

s Pooled Real Estate Investment nd is an open-end fund that invests completed and substantially built perties. Forward commitments are ed upon completion and lease-up. rchases may be structured in vari-ous formats, and acquisitions are primarily in the $5 million to $20 million range. The fund generally makes investments on an all-cash basis, but also will use existing debt on a property.

On-site property management is either contracted to local firms or to the joint venture partner. The on-site manager is responsible for the daily operations of the property, monthly income and expense reports and lease negotiations. The bank oversees the on-site managers, prepares the annual budget and approves all leases. Quarterly, the real estate committee reviews the status of all properties, including all major leases and capital expenditures.

In the coming year, the bank plans to open the Northeast Real Estate Investment Fund, for investment in the Northeast.

Thomas Lunny, director-real estate investments, is in charge of making property investments. Derek J. Cavanaugh, director-real estate investments, is client contact.

First Wisconsin Trust Co.

777 E. Wisconsin Ave., P.O. Box 2044, Milwaukee, Wis. 53201; (414) 765-4844

Tax-exempt real estate assets	$7 million
Equity	$7 million
Tax-exempt real estate clients	35
Total real estate assets	$20 million
Equity	$20 million

As of June 30, First Wisconsin Trust Co. managed $7 million in equity real estate for 35 tax-exempt clients.

Of the total, $2.7 million was in contributions received but not invested and $193 million was in contributions committed but not received. The firm's holdings had a market value of $4.2 million and a book value of $4.1 million.

All assets were in commingled funds and invested in existing properties.

First Wisconsin Trust invests in nonresidential income properties in the Midwest. The single-tenant properties are managed in-house; outside managers are hired for multitenant properties. Both groups are monitored in-house.

Earl D. Lillydahl is in charge of making property investments and is the client contact.

Forest Investment Associates

11 Piedmont Center, 3495 Piedmont Road, Suite 404, Atlanta, Ga. 30305; (404) 239-0986

Tax-exempt real estate clients	1

Forest Investment Associates managed one direct, separate, equity timberland account for a U.S. tax-exempt client as of June 30. The firm did not disclose the amount of assets managed.

It invests in pine timberland in the Southeast. In-house personnel make all management decisions and supervise the forest management companies hired for field services. At least four on-site inspections are done each year.

Charles M. Tarver, principal, is in charge of making property investments. David S. Graham, principal, is the client contact.

g

Goldman, Sachs & Co.

85 Broad St., New York, N.Y. 10004; (212) 902-5648

Tax-exempt real estate assets	$366 million
Equity	$366 million
Tax-exempt real estate clients	16
Total real estate assets	$636 million
Equity	$636 million

As of June 30, the book value of Goldman, Sachs & Co.'s equity real estate holdings for tax-exempt clients was $288.7 million. Market value was $366 million. There was $16.5 million in debt connected with the properties.

Of the tax-exempt assets, $198.5 million was in commingled accounts and $167.5 million was in direct, separate accounts.

The firm invests only in existing properties. The asset mix by property type was office, 75%; retail, 10%; hotel, 10%; and warehouse/other, 5%.

It looks for office, warehouse and retail properties nationwide. Property management is done through local and regional firms.

The firm's commingled fund is called Institutional Property Assets.

Paul D. Rubacha, vice president, is in charge of making property investments. Thomas Morgan, associate, is the client contact.

Grubb & Ellis Investment Advisors Inc.

1333 Broadway, Suite 900, Oakland, Calif. 94612; (415) 839-9600

Tax-exempt real estate assets	$240 million
Equity	$203 million
Mortgages	$37 million
Tax-exempt real estate clients	4
Total real estate assets	$2,412 million
Equity	$1,375 million
Mortgages	$37 million

As of June 30, Grubb & Ellis' equity holdings for tax-exempt clients had a market value of $160.7 million and a book value of $159.5 million. There was $15.5 million in debt connected with those properties. Contributions committed but not yet received accounted for $42 million.

All the tax-exempt assets were in direct, separate accounts; 99% is in existing properties and 1% in development properties.

The asset mix by property type was research and development, 95%; industrial, 2%; and offices, 3%.

Clients include Kern County Employees and San Diego Electrical Pension Trust.

James Proud, president, is in charge of making property investments and is the client contact.

The institutional brokerage survey runs Sept. 29.

Top 10 real estate managers ranked by tax-exempt assets in mortgages ($ millions)

	Firm	Mortgages
1.	Aetna Life & Casualty	$12,187
2.	Manufacturers Hanover Invest.	585
3.	Lomas & Nettleton Co.	507
4.	Wells Fargo Realty Advisers	313
5.	L.J. Melody & Co.	312
6.	Prudential Realty Group	310
7.	Scudder Realty Advisors Inc.	280
8.	Union Labor Life Insurance	223
9.	Karsten Institutional Realty Advisors	194
10.	Am Cal Co.	164

h

John Hancock Financial Services

John Hancock Place, T-49, P.O. Box 111, Boston, Mass. 02117; (617) 421-3626

Tax-exempt real estate assets	$838 million
Equity	$838 million
Tax-exempt real estate clients	76
Total real estate assets	$10,213 million
Equity	$1,834 million
Mortgages	$8,279 million

As of June 30, John Hancock Financial Services managed $837.7 million in real estate equity for tax-exempt clients; $120 million was in contributions committed but not received. Property holdings had a book value of $633.3 million and a market value of $717.7 million.

Of the tax-exempt assets managed, $787.7 were in commingled funds for 75 clients and $50 million was in a direct, separate account for one client.

John Hancock's investments, all in existing properties, were broken down as follows: industrial/warehouse, 22%; office/showroom/research and development, 12%; office, 34%; retail, 8%; hotels, 3%; apartments, 14%; and timber/agricultural, 7%.

John Hancock offers six commingled funds.

The Equity Real Estate Account (ERA) is an open-end equity account with a value of $629 million and 64 institutional investors. The properties are diversified by type and location, ranging from $1 million to $50 million. Current withdrawal requests inhibit John Hancock's ability to acquire new properties for the next several quarters.

The Specialty Real Estate Account (SERA-1) is a closed-end equity account invested solely in multifamily residential property in the West and Midwest ranging from $1 million to $20 million. Its market value June 30 was $36 million; there are five institutional participants.

The Agricultural Capital and Real Estate Fund (ACRE) is an open-end account with a market value of $35 million and eight institutional investors. It is invested 44% in farmland, 20% in timberland and 36% in mortgages and short-term instruments.

ForesTree One and Two are closed-end funds investing in timberland. ForesTree One has properties in the Southeast and Pacific Northwest ranging from $1 million to $10 million. All properties are owned by the fund. It has a market value of $17.5 million, with five institutional investors.

ForesTree Two, now open to investors, invests primarily in high-quality, industrial-grade commercial softwood timber, including direct ownership of timber and land, with mineral rights when possible. Its holdings are geographically diversified, with about 80% in the Southeast and Pacific Northwest.

The group is characterized by active management at portfolio and operational levels utilizing intensive forest management practices where economerty management is performed by outside, local forestry consulting firms.

The Apartment Fund Limited Partnership invests solely in residential, multifamily rental housing in the Northern tier. Investments range between $5 million and $20 million, and are a combination of joint ventures and unleveraged equity ownership. Current emphasis in the Apartment Fund is on garden apartments in major metropolitan areas.

With the exception of some net leased properties which are managed internally, on-site property management is either contracted to local property managers or is the responsibility of a joint venture partner. Hancock's asset management professionals are responsible for overseeing the on-site manager, preparing the annual budget and inspecting each property at least once each quarter.

Clients include The World Bank, Pennsylvania, Shell Oil and Hallmark.

John M. Lord is in charge of making timber investments; Kevin McGuire is in charge of making commercial real estate investments.

Thomas J. Mizo is the client contact for the commercial real estate area; Richard N. Smith is the client contact for timber real estate.

Harris Trust and Savings Bank

111 W. Monroe St., Chicago, Ill. 60603; (312) 461-6346

Tax-exempt real estate assets	$20 million
Equity	$18 million
Hybrid debt	$2 million
Tax-exempt real estate clients	131
Total real estate assets	$20 million
Equity	$18 million
Hybrid debt	$2 million

As of June 30, the book value of tax-exempt equity real estate holdings by Harris Trust and Savings Bank was $11.9 million. Market value was $12.6 million. Hybrid debt book value was $2 million, with a market value of $2.1 million.

Contributions received but not invested for equity real estate totaled $3.7 million; contributions committed but not yet received totaled $1.4 million.

Investments of Harris Trust's Income Property Fund are equity oriented and all cash, in the $1 million to $3 million range. Emphasis in the open-end fund is on quality, with current vacancy rate less than 3%. The bank seeks to maintain and improve each property as much as possible without incurring significant development risk. Investments are located in a few widely diversified cities.

All tax-exempt assets were invested in existing properties.

The property mix was industrial, 57%; retail, 29%; and office, 14%.

Net leased properties are managed in-house. Others are managed by outside agents. A property is visited four to six times per year.

John K. Rutledge, vice president and director of trust real estate investment management, is in charge of making property investments and is the client contact.

Hayden, Tolzmann & Associates Inc.

1 Regency Drive, P.O. Drawer 708, Bloomfield, Conn. 06002-0708;

State Street Bank and Trust Company *and* Aldrich, Eastman & Waltch, Inc.,
Manager and Trustee *Real Estate Advisor*

are pleased to announce

STATE STREET REAL ESTATE FUND IV

has been funded with

$90,000,000

Real Estate Fund V is currently available for subscriptions.

StateStreet

225 Franklin Street, Boston, Massachusetts 02110 617-654-3236

Tax-exempt real estate assets ..... $36 million
Equity ..... $36 million
Tax-exempt real estate clients 1
Total real estate assets ..... $36 million
Equity ..... $36 million

As of June 30, the book value of holdings for tax-exempt clients by Hayden, Tolzmann & Associates Inc., formerly Hayden Associates Inc., was $23.7 million; market value was $36.3 million. The was $6 million in debt connected with the equity properties. All the assets were in one direct, separate account.

All of the tax-exempt assets are in existing properties. The asset mix was 45.5% office; 30.5% industrial; and 24% retail.

Current emphasis is on mixed-use, research and development, office, industrial and retail properties nationwide. All are managed on-site by local firms.

The tax-exempt client is the New Hampshire Retirement System.

David C. Tolzmann, president, is in charge of making property investments and is the client contact.

Heitman Advisory Corp.

180 N. LaSalle St., Chicago, Ill. 60601; (312) 855-5700

Tax-exempt real estate assets ..... $2,918 million
Equity ..... $2,918 million
Tax-exempt real estate clients 28
Total real estate assets ..... $3,189 million
Equity ..... $3,189 million

Heitman Advisory Corp.'s equity holdings had a book value of $1.78 billion, as of June 30 and a market value of $2.15 billion. Contributions received but not invested totaled $142 million; contributions committed but not yet received were $627 million.

Commingled or pooled funds accounted for $511.5 million of the total tax-exempt assets. Seventeen tax-exempt clients invest in commingled funds. Direct, separate accounts for 11 tax-exempt clients accounted for $2.4 billion.

A total of $247 million was invested for foreign pension funds.

All of the U.S. tax-exempt assets were invested in existing properties, with 21% in shopping centers; 10%, industrial parks; 39%, office buildings; 30%, mixed use.

There are four commingled funds. Heitman Real Estate Funds I, II and III are closed-end group trusts that hold geographically diversified portfolios of between eight and 12 income-producing commercial properties, including shopping centers, office buildings and industrial parks.

Heitman Property Recovery Opportunity Partners I is a new limited partnership formed to take advantage of overbuilt market conditions in many major metropolitan areas. It will seek to acquire office, industrial park, retail and other properties that may or may not be fully completed, using expertise to add value.

Heitman concentrates on purchasing equity interests in existing, first-quality, geographically diversified commercial properties, with strong attention to property management and leasing.

Heitman provides firsthand property management through a subsidiary, Centre Properties Ltd. In joint ventures, the partner may provide day-to-day on-site management, with Centre Properties providing supervision.

Clients include Los Angeles County Employees' Retirement Association, Kellogg, Southwestern Bell and Commonwealth of Massachusetts Pension Reserves Investment Management Board.

Norman Perlmutter, chairman of Heitman Financial Ltd., the parent company, is in charge of making property investments. David Glickman, president, Heitman Advisory Corp., is the client contact.

HT Investors

1 Hospital Trust Plaza, Providence, R.I. 02903; (401)278-7606

Tax-exempt real estate assets ..... $10 million

As of June 30, HT Investors managed a $9.9 million open-end real estate fund for 17 tax-exempt accounts.

The fund, Quadrant One Real Estate Fund, seeks strong current yield on competitive, leased properties, with demonstrated potential growth through income enhancement or upgraded uses during a 10-year cycle.

Dan Woolley, vice president, is in charge of making property investments. Elaine Boyd, investment assistant, is the client contact.

i

ICC Realty Advisers Inc.

56 E. Pine St., Suite 200, Orlando, Fla. 32801; (305) 841-6241

Tax-exempt real estate assets ..... $76 million
Equity ..... $6 million
Mortgages ..... $70 million
Tax-exempt real estate clients 26
Total real estate assets ..... $76 million
Equity ..... $6 million
Mortgages ..... $70 million

As of June 30, the market value of ICC Realty Advisers's equity holdings for tax-exempt clients was $6 million and the book value, $3.3 million.

Of the $70 million targeted for mortgages, $50 million is in cash and $20 million is in commitments, with cash not yet received.

Of the property holdings, 12% are in existing properties and 88% are in development properties. The asset mix by property type was office, 80%; hotel, 20%.

Clients include the IBEW Local 323 Annuity Fund.

Byron W. Gilitz, president, is in charge of making property investments and is the client contact.

j

Jacques & Kurdziel Ltd.

405 Park Ave., New York, N.Y. 10022; (212) 758-8778

Total real estate assets ..... $204 million

As of June 30, Jacques & Kurdziel Ltd. had $204 million in real estate assets under management, all of which was for foreign pension funds.

The firm invests in office and retail properties.

W. Murray Jacques and Donald M. Kurdziel are in charge of making property investments and are the client contacts.

JMB Institutional Realty

875 N. Michigan Ave., Suite 3960, Chicago, Ill. 60611; (312) 440-5000

Tax-exempt real estate assets ..... $1,777 million
Equity ..... $1,777 million
Tax-exempt real estate clients 173
Total real estate assets ..... $13,580 million
Equity ..... $13,404 million
Hybrid debt ..... $176 million

JMB Institutional Realty Corp. had $1.78 billion under management for tax-exempt clients as of June 30; $299 million was for contributions committed but not yet received and $78 million was for contributions received but not invested.

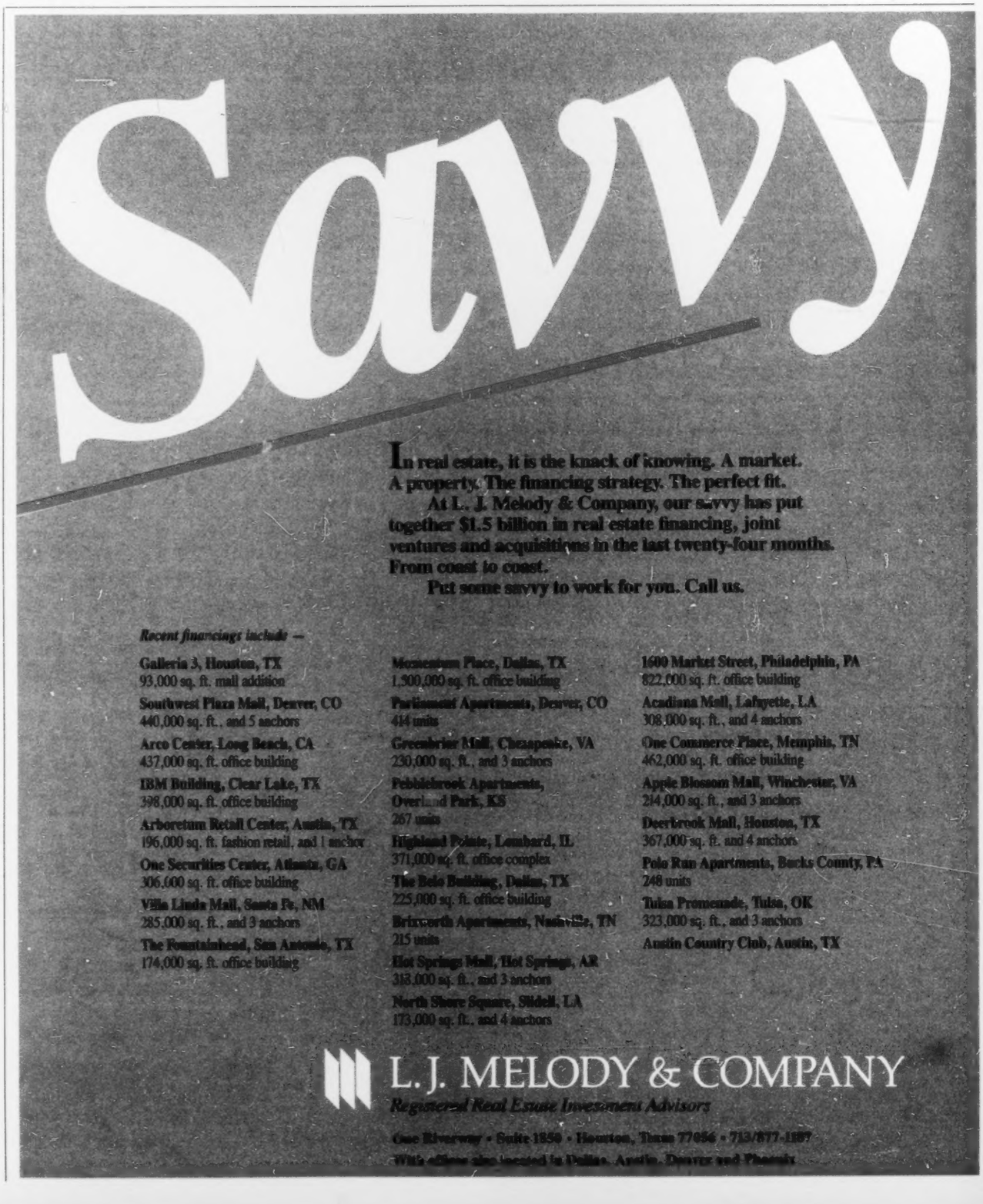
The firm's holdings had a market value of $1.4 billion and a book value of $1.2 billion. There was $224 million in debt connected with the properties.

All the tax-exempt assets were in commingled funds and all were invested in existing properties. The asset mix by property type was: retail, 52%; office, 47%; and mixed use, 1%.

JMB has four closed-end funds: Group Trusts I, II, III and IV. Group Trust IV is still open for commitments. The others each have a market value of more than $300 million.

JMB emphasizes retail properties; in-house property management, with an emphasis on adding value; and optimizing investment structures to take advantage of opportunities in inefficient markets and to meet special needs of sellers.

Clients include Iowa, Xerox, Consolidated Edison and New York State Common Retirement Fund.


Savvy
In real estate, it is the knack of knowing. A market. A property. The financing strategy. The perfect fit.
At L. J. Melody & Company, our savvy has put together $1.5 billion in real estate financing, joint ventures and acquisitions in the last twenty-four months. From coast to coast.
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Galleria 3, Houston, TX
93,000 sq. ft. mall addition
Southwest Plaza Mall, Denver, CO
440,000 sq. ft., and 5 anchors
Arco Center, Long Beach, CA
437,000 sq. ft. office building
IBM Building, Clear Lake, TX
398,000 sq. ft. office building
Arboretum Retail Center, Austin, TX
196,000 sq. ft. fashion retail, and 1 anchor
One Securities Center, Atlanta, GA
306,000 sq. ft. office building
Villa Linda Mall, Santa Fe, NM
285,000 sq. ft., and 3 anchors
The Fountainhead, San Antonio, TX
174,000 sq. ft. office building
Momentum Place, Dallas, TX
1,500,000 sq. ft. office building
Parliament Apartments, Denver, CO
414 units
Greenbrier Mall, Chesapeake, VA
230,000 sq. ft., and 3 anchors
Pebblebrook Apartments, Overland Park, KS
267 units
Highland Pointe, Lombard, IL
371,000 sq. ft. office complex
The Belo Building, Dallas, TX
225,000 sq. ft. office building
Brixworth Apartments, Nashville, TN
215 units
Hot Springs Mall, Hot Springs, AR
313,000 sq. ft., and 3 anchors
North Shore Square, Slidell, LA
173,000 sq. ft., and 4 anchors
1600 Market Street, Philadelphia, PA
822,000 sq. ft. office building
Acadiana Mall, Lafayette, LA
308,000 sq. ft., and 4 anchors
One Commerce Place, Memphis, TN
462,000 sq. ft. office building
Apple Blossom Mall, Winchester, VA
214,000 sq. ft., and 3 anchors
Deerbrook Mall, Houston, TX
367,000 sq. ft. and 4 anchors
Polo Run Apartments, Bucks County, PA
248 units
Tulsa Promenade, Tulsa, OK
323,000 sq. ft., and 3 anchors
Austin Country Club, Austin, TX
L. J. MELODY & COMPANY
Registered Real Estate Investment Advisors
One Riverway • Suite 1850 • Houston, Texas 77056 • 713/877-1187
With offices also located in Dallas, Austin, Denver and Phoenix

erome J. Claeys III, executive vice sident of JMB Realty Corp., is in rge of making property invest- nts. John S. Lillard, president of 3 Institutional Realty, is the client tact.

nes Lang Wootton Realty dvisors

E. 52nd St., New York, N.Y. 0022; (212) 688-8181

exempt real estate assets	$900 million
uity	$620 million
brid debt	$280 million
exempt real estate clients	4
l real estate assets	$1,480 million
uity	$1,200 million
brid debt	$280 million

s of June 30, Jones Lang Wootton lty Advisors managed $900 million eal estate for tax-exempt clients. ity comprised $620 million, of ch $50 million was in contributions mitted but not yet received. he holdings had a book value of 0 million: equity was $570 million hybrid debt, $280 million. There $250 million in debt connected those properties. ll of the assets were in direct, sepa- accounts for four clients. addition, the firm invested $580 ion for foreign clients, of which 0 million was for foreign pension ds. f the tax-exempt assets, 70% was xisting properties and 30% was in elopment properties. The asset mix ype of property was: offices, 50%; pping centers, 25%; industrial, ; hotel, 5%; and residential, 5%. ones Lang Wootton takes an portunistic, value-orientation approach to acquisitions and employs its own management staff on most properties.

The tax-exempt clients are U S WEST, Pacific Telesis, Pennsylvania public school employees and USX.

John A. Weisz, Stephen J. Furnary and Frank Sullivan Jr. are in charge of making property investments. Mr. Weisz is the client contact.

K

Karsten Institutional Realty Advisors

12121 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90025; (213) 826-0035

Tax-exempt real estate assets	$497 million
Equity	$231 million
Hybrid debt	$72 million
Mortgages	$194 million
Tax-exempt real estate clients	17
Total real estate assets	$767 million
Equity	$499 million
Hybrid debt	$74 million
Mortgages	$194 million

As of June 30, the book value of real estate investments held by Karsten Institutional Realty Advisors for tax-exempt clients was $211 million in equity, $72 million in hybrid debt and $194 million in mortgages. Market value was $226 million, $72 million and $194 million, respectively.

There was $24 million in debt associated with properties committed to hybrid debt.

Contributions committed but not yet received totaled $5 million in equity.

Of the total, $54 million was in commingled or pooled funds, $22 million in equity and $32 million in hybrid debt. There were nine clients. Direct, separate accounts totaled $443 million: equity, $209 million; mortgages, $194 million; and hybrid debt, $40 million. There were eight clients.

Karsten invests all tax-exempt assets in existing properties. Asset mix by property type was shopping centers, 22.5%; industrial, 27.5%; research and development, 10%; offices, 32.5%; mixed use, 2.5% and land, 5%.

Current emphasis is on equity ownership and equity-oriented mortgages, either wholly owned or joint ventures in existing properties, forward commitments and development projects. It targets retail, industrial, research and development and office buildings in large, economically diversified areas.

Supervisory property management and leasing are handled internally. On-site property management is 50% internal and 50% external. Karsten managers oversee on-site managers, and inspect properties three times a year.

It offers two commingled funds. Karsten/First Interstate Realty Fund I, a closed-end fund, is about half invested in opportunistic situations and half in longer-term situations. Properties include shopping centers, offices, industrial, and research and development properties primarily in the West and Southwest.

First Interstate Bank Ltd.'s Real Estate Equity Fund, an open-end fund, is marketed to small employee benefit trusts. The fund will buy marketable properties in areas with a good history of strong tenant demand with intent to hold long-term. Diversification through location, property type and individual characteristics is sought. The emphasis is on full equity ownership, although the trust may invest in joint ventures, intermediate and long-term loans, short-term or development loans and leveraged properties.

Clients include Ohio State Teachers, LTV, Lockheed and Nevada Public Employees.

Hugh G. Hilton, president and director of acquisitions, is in charge of making property investments. Mr. Hilton and John Lundsten, chairman, are client contacts.

Kennedy Associates Real Estate Counsel Inc.

2400 Financial Center Building, Seattle, Wash. 98161; (206) 623-4739

Tax-exempt real estate assets	$633 million
Equity	$257 million
Hybrid debt	$324 million
Mortgages	$52 million
Tax-exempt real estate clients	92
Total real estate assets	$633 million
Equity	$257 million
Hybrid debt	$324 million
Mortgages	$52 million

Kennedy Associates Real Estate Counsel Inc. had tax-exempt real estate assets totaling $633 million under management June 30. Of the $256.7 million in 100% equity, $73.9 million represented contributions received but not invested. Pure equity holdings had a market value of $182.8 million and book value of $162.4 million. There was $11.3 million in debt associated with equity properties.

Its $324.7 million in hybrid debt had market value of $142.4 million and book value of $134.9 million; $81 million represented contributions received but not invested and $101.3 million was committed but not yet received.

Commingled funds, which had 80 clients, totaled $288.6 million. Direct, separate accounts, with 12 clients, accounted for $444.5 million, including the $51.7 million mortgage investment.

Kennedy Associates offers an open-end commingled fund, direct separate account investment management and real estate investment consulting.

Of the tax-exempt assets, 5% was in development properties and 95% in existing properties. The asset mix by property type is 57.8% office; 2.9% hotel; 12.7% industrial; 4.9% retail; 18.9% office research and development; 2.3% mixed use; and 0.5% land.

The firm emphasizes acquisitions of industrial and retail properties in the Midwest, Northeast and West.

Its open-end fund, the Multi-Employer Property Trust, had a market value of $289 million as of July 1. The fund uses a broad range of investment vehicles, including equity ownership, hybrid debt/equity and sale-leasebacks.

On-site property management is provided by local firms operating within Kennedy Associates' criteria.

Clients include the Alaska Permanent Fund, Boeing Pension Trust, International Brotherhood of Painters and Allied Trades Union and Industry National Pension Fund.

Jim C. Snyder, president, is in charge of making property investments. Michael T. Oliver, vice president, is client contact.

L

Landauer Advisors Inc.

335 Madison Ave., New York, N.Y. 10017; (212) 687-2323

Tax-exempt real estate assets	$113 million
Equity	$113 million
Tax-exempt real estate clients	6
Total real estate assets	$312 million
Equity	$312 million

As of June 30, Landauer Advisors' equity holdings for tax-exempt clients had a book value of $96.7 million and market value of $113.3 million.

Of that, $38.6 million was in commingled or pooled funds and $74.7 million in direct, separate accounts.

Of its $312 million total, $199 million represented foreign pension fund assets.

All of the U.S. tax-exempt assets are invested in existing properties. The asset mix by property type was office; 84% and light industrial, 16%.

It emphasizes investment-grade retail, light industrial and office properties. The holdings are diversified nationally, with a focus on the East and South.

The firm has three closed-end group trusts. Landauer Current Income Fund opened for subscriptions July 1. It will seek 100% equity ownership in quality properties under long-term net leases to single, high-credit corporate tenants.

Landauer Momentum Fund, which also opened for subscriptions July 1, will use flexible investment structures to create a portfolio of retail, office and modern industrial properties.

Landauer Fund I, which has the same focus as the Momentum Fund, closed in 1983 and is fully invested.

Landauer takes an active and entrepreneurial approach to management, visiting each site at least four times per year. Local firms are hired for on-site management.

Clients include GM, Honeywell, British Shell and Union Carbide.

Charles H. Vaughn Jr., senior vice president, is in charge of making property investments. Kenneth Koplow, vice president, is the client contact.

LaSalle Advisors Inc.

11 S. LaSalle St., Chicago, Ill. 60603; (312) 782-5800

Tax-exempt real estate assets	$2,206 million
Equity	$2,206 million
Tax-exempt real estate clients	48
Total real estate assets	$2,206 million
Equity	$2,206 million

As of June 30, the book value of LaSalle Advisors Inc.'s equity real estate holdings for tax-exempt clients was $1.14 billion; market value was $1.25 billion. There was $348.6 million in debt connected with the properties. Contributions committed but not yet received were $959.7 million.

Of the total, $1.3 billion was in commingled or pooled funds and $900 million was in direct, separate accounts.

All tax-exempt assets are invested in existing properties such as shopping centers, industrial parks and office buildings, and the firm attempts to invest in properties of diverse type and location to minimize dependence on any specific industry, economy or geographic area. All properties are managed in-house.

LaSalle has three closed-end funds. LaSalle Street Fund Inc., with $710 million of assets, has a portfolio comprising office buildings, shopping centers and industrial parks nationwide.

LaSalle Fund II, a $290 million group trust, is closed to further subscription. The fund has acquired office buildings and a shopping center.

LaSalle Fund III is a closed-end group trust now being offered to tax-exempt employee retirement plans. The fund is targeted at $300 million and has $172.5 million subscribed.

LaSalle clients include United Airlines, Bell Atlantic and the U.S. Olympic Foundation.

Stanislaw Maliszewski is client contact.

Lehndorff & Babson Real Estate Counsel

2501 Cedar Springs, Suite 340, Dallas, Texas 75201; (214) 855-5600

Tax-exempt real estate assets	$503 million
Equity	$503 million
Tax-exempt real estate clients	26
Total real estate assets	$1,523 million
Equity	$1,523 million

As of June 30, Lehndorff & Babson Real Estate Counsel managed $503 million in real estate equity for tax-exempt clients. Of the total, $18 million was for contributions received but not invested and $101 million was for contributions committed, but not yet

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Schroder Real Estate has $1,000,000,000 in equity real estate under management, for more than 100 major pension funds, institutions and corporations as direct investors or as participants in commingled real estate vehicles. We have been advising on real estate investments since 1972 and managing for pension funds since 1975. We are an acknowledged leader in expansion and refurbishment of shopping centers and office buildings throughout the U.S. With more than 100 staff professionals in our various offices, we bring a strong in-house property and construction management and leasing capability to the creation of added value in all our investments.

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received.

The property holdings had a market value of $384 million and a book value of $225 million; $40 million in debt was connected with those properties.

Commingled or pooled funds held $60 million of the tax-exempt assets and direct, separate accounts comprised $443 million.

The firm invested $1.02 billion for foreign clients, of which $138 million was for pension funds.

Of the tax-exempt assets invested, 80% was in existing properties and 20% in development properties. Investments are primarily in retail and office properties, with each holding between 40% and 60% of assets.

It employs on-site managers who are responsible for day-to-day operations.

Its two closed-end commingled funds are the Lehndorff & Babson Property Fund and the Lehndorff & Babson Property Fund II. Both invest in scarce properties, typically either office buildings or shopping centers that are built and leased or from which the firm can obtain equivalent protection for the capital invested. It also looks for properties with opportunities for enhancement of value.

The firm plans to open a third fund after the closing of Fund II.

Clients include Atlantic Richfield, Dow Chemical, Dresser Industries and the World Bank.

Marci Fagan, executive vice president, is in charge of making property investments. James S. White, executive vice president, is the client contact.

The Lexington Co.

3 First National Plaza, Chicago, Ill. 60602; (312) 899-1900

Total real estate assets	$50 million

The Lexington Co. provides real estate investment services to institutional investors on a non-discretionary basis. Services are provided either directly to investors or on a correspondent basis to other investment managers.

The firm concentrates on commercial properties with emphasis on downtown and suburban office buildings, high-technology service centers and shopping centers. More than 50% of its business involves properties under development or rehabilitation.

Bradley A. Olsen, principal, is the client contact.

Lieberman Cos.

199 Middle Neck Road, Great Neck, N.Y. 11021; (516) 466-6565

Tax-exempt real estate assets	$110 million
Mortgages	$110 million
Total real estate assets	$110 million
Mortgages	$110 million

As of June 30, Lieberman had $110 million in mortgages under management for U.S. tax-exempt clients. Of that, $10 million was for contributions committed but not yet received.

Bruce R. Lieberman is in charge of property investments and is the client contact.

Loeb Partners Realty

521 Fifth Ave., New York, N.Y. 10175; (212) 883-0361

Tax-exempt real estate assets	$100 million
Equity	$100 million
Total real estate assets	$450 million
Equity	$450 million

As of June 30, Loeb Partners Realty had $100 million in equity real estate under management for two U.S. tax-exempt clients. All of those assets were in direct, separate equity accounts.

The firm also manages $130 million for foreign clients, of which $70 million was for foreign pension funds.

All of the U.S. tax-exempt assets are invested in existing properties. The asset mix by property type is: office buildings, 50%; shopping centers, 30%; apartments, 10%; and miscellaneous, 10%.

Loeb Partners makes real estate investments on a direct basis in existing income-producing properties and emphasizing commercial and retail sites.

It has supervisory management on all investments with some on-site management done internally and some contracted out.

Joseph S. Lesser, president, is in charge of making property investments. Gary L. Naughton, vice president, is the client contact.

The Lomas & Nettleton Co.

2001 Bryan Tower, Suite 3900, Dallas, Texas 75201; (214) 761-8298

The Lomas & Nettleton Co.'s tax-exempt real estate assets are invested in direct, separate accounts by the Lomas & Nettleton Advisory Group and in commingled or pooled funds by Lomas & Nettleton Investment Partners.

Total tax-exempt real estate assets held by the Advisory Group as of June 30 were $476.1 million, all in mortgages. Market value was $265.9 million, and contributions committed but not yet received totaled $210.1 million. There was one tax-exempt client, the Teacher Retirement System of Texas.

Investments by the Advisory Group were in office buildings, office/industrial warehouses and retail developments. The current emphasis is on institutional-quality projects nationwide.

The company is active in decisions that maximize the properties' values. Off-site visits are dictated by the size of investment, the stage of completion and the leasing status.

David A. Ridley, senior vice president, is in charge of making property investments. Richard N. Hoag, second vice president, is client contact.

Lomas & Nettleton Investment Partners has two commingled funds:

The Lomas & Nettleton Institutional Mortgage Fund Ltd. (Fund I) is a closed-end, 10-year, limited partnership that closed in 1985 with 67 clients. A total of $31 million has been raised, with $29 million committed to mortgages.

Fund II is a closed-end, 10-year, limited partnership that is open for subscription until January.

Funds I and II are structured for tax-exempt institutional investors and make investments in participating mortgage/land sale-leaseback commercial, development, geographically diverse properties. Property types include retail, office and industrial.

The contact at Investment Partners is Kenn Stearns, assistant vice president, at (214) 746-7353.

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Manufacturers Hanover Investment Corp.

600 Fifth Ave., New York, N.Y. 10020; (212) 957-0760

Tax-exempt real estate assets	$660 million
Equity	$75 million
Mortgages	$585 million
Tax-exempt real estate clients	10
Total real estate assets	$660 million
Equity	$75 million
Mortgages	$585 million

As of June 30, the book and market values of real estate holdings by Manufacturers Hanover Investment Corp. totaled $75 million in equity and $585 million in mortgages for 10 clients. All were in direct, separate accounts.

MHIC is emphasizing mortgage investments.

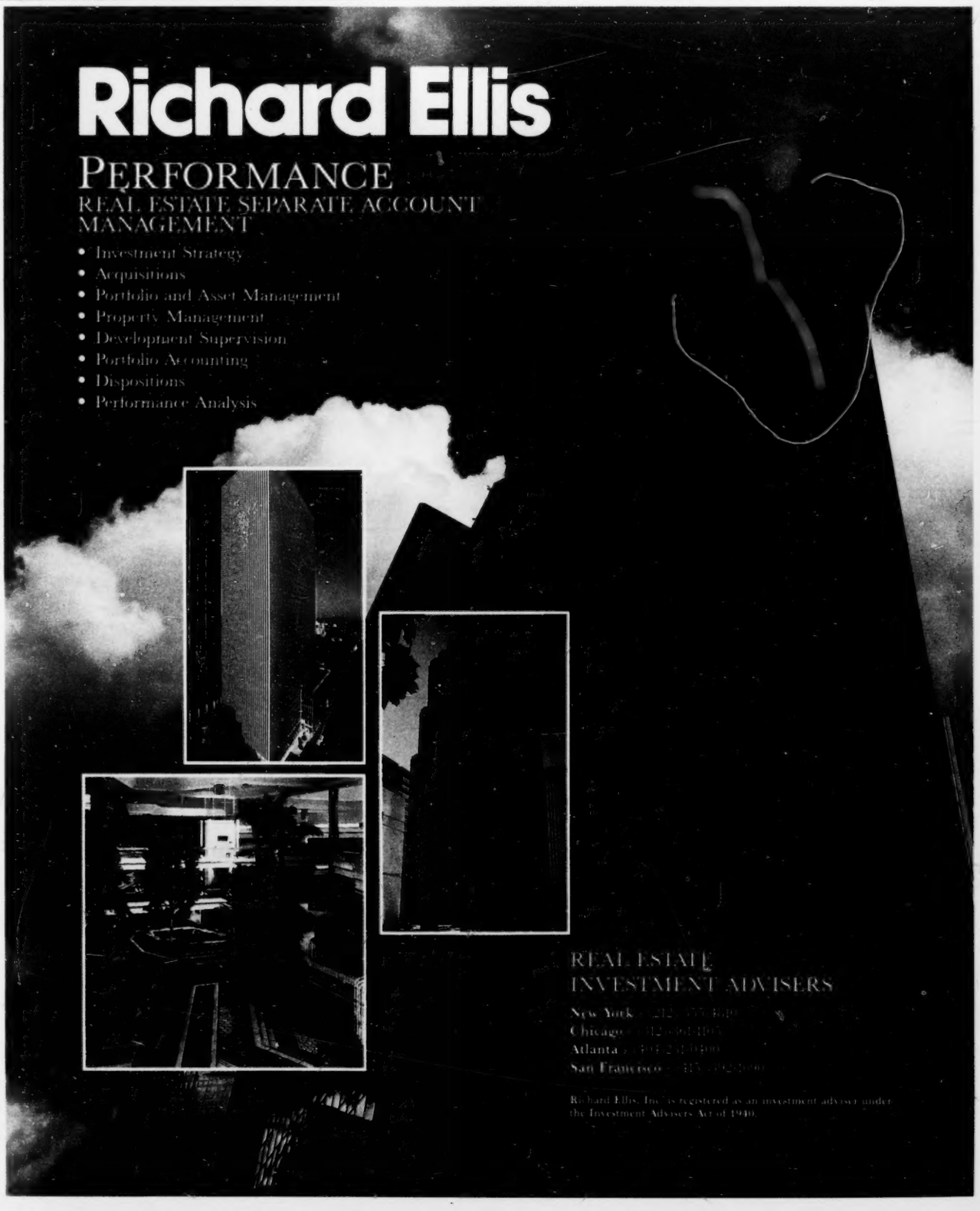
Clients include Arizona Laborers, Teamsters & Cement Masons' Pension Fund and Arizona State Carpenters Fund.

Vice Presidents William E. Miller, Phoenix, and Gary C. Morris, Los Angeles, are in charge of making property investments. Fred R. Betts, senior vice president, New York, is the client contact.

Massachusetts Mutual Life Insurance Co.

1295 State St., Springfield, Mass. 01111; (413) 788-8411

Tax-exempt real estate assets	$58 million
Equity	$58 million
Tax exempt real estate clients	50
Total real estate assets	$2,507 million
Equity	$334 million
Mortgages	$2,173 million



As of June 30, Massachusetts Mutual Life Insurance Co. managed $58 million in a commingled fund for 50 tax-exempt clients; $9.5 million represented contributions received but not invested and $5 million, contributions committed but not received.

The property holdings had a market value of $43.7 million and a book value of $37.3 million.

All tax-exempt assets were invested in existing properties, with the asset mix by property type being 29% office; 31% industrial and 40% retail.

The firm offers one open-end commingled fund, Separate Investment Account R. It seeks a baiance between income and appreciation on an aggregate basis, investing in office buildings, industrial research and development properties, retail facilities and hotel/motel properties on either a 100% ownership or joint venture basis. It takes little or no development/leasing risk, rather it seeks to create value through property improvements and aggressive leasing transactions.

The company is looking at strip-type shopping areas and multiuse light industrial properties. Management is performed by contract managers with quarterly inspection by regional staff.

Scott Noble, senior vice president, is in charge of making property investments. Peter J. Vogian, senior vice president, is the client contact.

John McMahan Associates

201 California St., Suite 400, San Francisco, Calif. 94111; (415) 433-7770

Tax-exempt real estate assets	$485 million
Equity	$471 million
Hybrid debt	$14 million
Tax-exempt real estate clients	14
Total real estate assets	$500 million
Equity	$486 million
Hybrid debt	$14 million

As of June 30, John McMahan Associates Inc. managed $484.6 million in tax-exempt real estate assets; $471 million in pure equity and $13.6 million in hybrid debt. Of the equity assets, $370 million was for contributions committed but not yet received.

The equity holdings had a book value of $103 million and a market value of $101 million; hybrid debt had a book value of $13.6 million and market value of $13.7 million.

Commingled fund held $58 million in real estate equity and $5.2 million in hybrid debt. Direct, separate accounts consisted of $413 million in equity and $8.4 million in hybrid debt.

Of McMahan's total assets, $15 million was for foreign clients.

All assets are invested in existing properties. The asset mix by property type was offices, 70%; industrial, 20%; and retail, 10%. Its current acquisition emphasis is on those properties in the West, Southwest, Northwest and Rocky Mountain regions.

It has two closed-end funds: McMahan Equity Real Estate Fund — I, which is fully invested; and McMahan Equity Real Estate Fund — II, which is open to subscription.

While on-site management may be contracted out, all leases are done centrally by senior staff.

Clients include Florida Power and Light, Honeywell, Safeway Stores and Western Airline Pilots.

Steven Brabant, vice president-acquisitions, is in charge of making property investments. Raymond Walker is the client contact.

Mellon Real Estate Investment Management

551 Madison Ave., New York, N.Y. 10022; (212) 702-4040

Tax-exempt real estate assets	$800 million
Equity	$359 million
Hybrid debt	$310 million
Mortgages	$131 million
Tax-exempt real estate clients	8
Total real estate assets	$800 million
Equity	$359 million
Hybrid debt	$310 million
Mortgages	$131 million

As of June 30, Mellon Real Estate Investment Management Corp. managed $800 million in tax-exempt real estate. Its equity holdings had a book value and market value of $330.6 million and its hybrid debt, $281.7 million. Contributions received but not invested accounted for $58.4 million in pure equity and $28.3 million in hybrid debt assets.

Of the total, $11.7 million was in commingled equity funds. Direct separate accounts held $347.3 million in pure equity, $310 million in hybrid debt and $131 million in mortgages.

All of the tax-exempt assets are invested in existing properties. The asset mix by type of property was office, 67.2%; retail, 14.7%; research and development/industrial, 8.3%; residential mortgages, 8.5%; and hotel/motel, 1.3%.

The firm offers a closed-end real estate fund, Mellon Income Property Fund I and an $86 million REIT, Mellon Participating Mortgage Trust.

Mellon Income Property Fund I, which is open for contributions until December, will take direct ownership positions, purchase leaseback positions and mortgage positions convertible into direct ownership. Properties in the $2 million to $20 million range will be emphasized. The fund is seeking investment-grade commercial and industrial real estate, such as office, warehouse, light industrial and retail properties.

Clients include Bell Atlantic, Nicor, Borg-Warner and Detroit General Retirement System.

Robert L. Kinney, president, and James T. Foran, executive vice president, are in charge of making property investments. Karin E. Shewer, vice president, is the client contact.

L.J. Melody & Co.

1 Riverway, Suite 1850, Houston, Texas 77056; (713) 877-1187

Tax-exempt real estate assets	$795 million
Hybrid debt	$483 million
Mortgages	$312 million
Tax-exempt real estate clients	4
Total real estate assets	$2,000 million
Mortgages	$1,230 million
Hybrid debt	$802 million

As of June 30, L.J. Melody & Co. managed $795 million in assets for tax-exempt clients. The holdings had a book value of $568 million; $368 million in hybrid debt and $200 million in mortgages. Contributions committed but not yet received comprised $115 million in hybrid debt and $112 million in mortgages.

All of the tax-exempt assets managed are in direct, separate accounts; 95% was invested in existing properties and 5% in development properties.

The asset mix by type of property is: office buildings, 38%, retail, 38%; industrial, 5%; multifamily housing, 10%; hotel, 9%.

L.J. Melody focuses on regional malls and existing office buildings nationwide. It uses local on-site property managers who report directly to the in-house asset management group. Staff inspects properties at least twice a year.

Teacher Retirement System of Texas is a client.

Lawrence J. Melody, president, is in charge of making property investments. Robert D. Barkley, vice president, is the client contact.

Mercantile Bank

Drawer 387, St. Louis, Mo. 63166; (314) 425-2742

Tax-exempt real estate assets	$4 million
Tax-exempt real estate clients	8
Total real estate assets	$4 million

As of June 30, Mercantile Bank managed $4.2 million in real estate investment trust stocks for U.S. tax-exempt clients in one open-end fund.

Mercantile Real Estate Fund is a pool of 15 to 20 publicly traded, exchange-listed REITs.

William H. Laird, vice president, is in charge of making property investments. Ralph Webster, vice president, is the client contact.

Metropolitan Life

1 Madison Ave., New York, N.Y. 10010; (212) 578-7368

Tax-exempt real estate assets	$500 million
Equity	$429 million
Mortgages	$71 million
Tax-exempt real estate clients	58
Total real estate assets	$17,230 million
Equity	$5,950 million
Mortgages	$11,280 million

As of June 30, the book value of Metropolitan Life's equity real estate holdings for tax-exempt clients was $304.2 million and the market value was $369.8 million. Its mortgage holdings had book value of $69.7 million and market value of $71.4 million.

Contributions received but not invested totaled $58.7 million in equity; the properties had $6.9 million in debt connected with them.

All the tax-exempt assets were invested in commingled funds.

Metropolitan offers two open-end funds, a series of closed-end funds and the Guaranteed Real Estate Contract, which is designed for public funds, endowments and foundations.

The open-end funds are: the Tower Fund, and Account RE.

Tower Fund acquires wholly owned, high-quality, strongly tenanted and well-situated existing properties in the $5 million to $15 million range. The fund emphasizes a strong buy/sell discipline and will be limited to 75 properties so that it can be actively managed. Its asset mix by property type was 23.4% office, 46.2% research and development and 30.4% shopping centers.

Account RE invests in joint ventures with national real estate developers and acquires high-quality, existing and leased properties. The size usually exceeds $30 million. Its asset mix was 70.6% offices, 6.5% warehouses, 12.4% hotels, 1.8% mixed use, 6.6% shopping centers and 2.1% land.

The closed-end funds emphasize high-quality, well-located, substantially leased income-producing properties, which are wholly owned and acquired on a cash basis. Funds are diversified geographically and by property type. Closed-End Series I, invested entirely in offices, and II, invested in offices and research and development properties, are fully subscribed. Series III is accepting contributions.

Guaranteed Real Estate Contract is indexed to specific real estate properties with an initial value of about $71 million. The properties are owned by Metropolitan and held in the general account. The indexed portfolio consists of commercial and light industrial properties that are geographically diversified.

Metropolitan takes an active, value-added approach to property management. Two groups of professionals oversee property management: its regional property management team and independent on-site managers.

Clients include American Can, Crown Zellerbach, Niagara Mohawk Power and St. Regis Paper.

Bruce Kosakowski, national director, is client contact.

J.P. Morgan Investment Management Inc.

9 W. 57th St., New York, N.Y. 10019; (212) 826-7330

Tax-exempt real estate assets	$991 million
Equity	$57 million
Hybrid debt	$778 million
Tax-exempt real estate clients	142
Total real estate assets	$1,356 million
Equity	$472 million
Hybrid debt	$728 million

Of J.P. Morgan's $991 million in tax-exempt real estate assets managed, $156 million is allocated to stock of real property ownership companies and sale-leaseback investments as of June 30.

Its equity holdings had a book value of $66 million and a market value of $57 million as of the same date. Hybrid debt holdings had values of $558 million and $646 million, respectively. There was $4 million in debt associated with both equity and hybrid debt properties.

J.P. Morgan also had $112 million in contributions received but not invested and $20 million in contributions committed but not yet received; it was not known how those assets will be divided between pure equity and hybrid debt investments.

Of the total, $849 million was in commingled or pooled funds and $142 million was in direct, separate accounts.

Of the tax-exempt assets under management, 80% was invested in existing properties and 20% in development properties. The asset mix by property type is 52% office, 41% retail, 4% industrial and 3% hotel.

It seeks high-quality properties that can effectively and efficiently compete in the market, focusing on retail and research and development properties.

A portfolio control group is formed to manage each investment, composed of the senior property manager and a senior professional from acquisitions, accounting and engineering. The property manager works jointly with and supervises the on-site manager or joint venture partner. Three or four visits are made each year.

The company offers an open-end commingled fund called The Real Estate Fund, which selects properties with above-average potential for income growth and capital appreciation. It seeks investments in development properties, older properties that can be renovated, and existing properties that will benefit from improved management. It buys primarily urban and suburban office buildings, regional and neighborhood shopping centers, and industrial/research and development buildings.

Timothy J. Heise, managing director, is in charge of making property investments and is the client contact.

Developments in defined contribution plans: Dec. 8.

MRealty Corp.

1704 Main St., Dallas, Texas 75201; (214) 698-4528

Tax-exempt real estate assets	$35 million
Equity	$30 million
Hybrid debt	5 million
Tax-exempt real estate clients	51
Total real estate assets	$100 million
Equity	$90 million
Hybrid debt	$10 million

As of June 30, MRealty Corp. managed $35.2 million in tax-exempt real estate assets. Of that, $3 million was for contributions committed but not yet received for equity investments; $6 million was for equity contributions received but not yet invested.

The firm's holdings had a market value of $26.2 million, including $5.2 million for hybrid debt, and a book value of $23.6 million, of which $5.1 million is for hybrid debt. There was $5 million in debt associated with equity properties and $5.1 million in debt connected with hybrid debt holdings.

It had total real estate assets under management of $100 million, $90 million in real estate equity and $10 million in hybrid debt.

All tax-exempt assets were invested in existing properties. The asset mix by property type is: 60% in retail centers; 20% in office/warehouses; and 20% in garden/office properties.

The firm offers two open-end funds, MTrust Real Estate Collective Investment Fund for ERISA funds and Commercial Real Estate Fund for foundations and endowments.

It emphasizes acquisitions in the Sun Belt with current cash return of 9.25% to 12% and an internal rate of return between 13% and 16%.

Active, intensive asset management is a key to its strategy. Creative improvements are made to maximize earnings. It has three internal property managers to manage the outside property and leasing management companies.

Clients include Lomas and Nettleton, Dallas-Fort Worth International Airport and MCorp.

Bruce Nozick, senior vice president, is in charge of making property investments. Mark Dunbar, vice president, is the client contact.

Mutual Benefit Life

570 Broad St., Newark, N.J. 07101; (201) 481-8000

Tax-exempt real estate assets	$27 million
Equity	$27 million
Tax-exempt real estate clients	22
Total real estate assets	$27 million
Equity	$27 million

The book value of Mutual Benefit Life's $26.6 million in equity holdings for tax-exempt clients was $14.6 million as of June 30; market value was $18.4 million. Contributions received but not invested totaled $8.8 million.

All tax-exempt assets were in direct, separate accounts for 22 clients.

All tax-exempt assets were in existing commercial and industrial properties nationwide. All properties are managed by independent property management firms. In-house personnel periodically visit all properties.

In the coming year, Mutual Benefit Life will offer a Commercial Mortgage Separate Account, consisting of portfolios of new, conventional mortgage loans originated, underwritten and serviced by Mutual. Years to maturity will vary, but typical portfolios vary from five to 15 years.

Anne Bukata, investment officer, and Stephanie L. Holowach, assistant investment officer, are in charge of making property investments. Michael K. Farrell, second vice president-group pension marketing, is the client contact.

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National Property Advisors

89 Main St., P.O. Box 308, Montpelier, Vt. 05602-0308; (802) 223-9595

Tax-exempt real estate assets	$52 million
Equity	$51 million

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Dallas, Texas • 75240 • (214) 233-8884

Hybrid debt	$1 million
Tax-exempt real estate clients	6
Total real estate assets	$226 million
Equity	$224 million
Hybrid debt	$2 million

As of June 30, National Property Advisors Corp.'s equity real estate holdings for tax-exempt clients had a market value of $43.4 million and a book value of $42.7 million.

Its hybrid debt holdings had values of $1 million and $800,000, respectively. The hybrid debt is included in a commingled fund called National Pension Property Fund I (NPPI) for two participants.

Of the $52 million in tax-exempt real estate equity, $7.6 million is in contributions committed, but not yet received. There was $3.7 million in debt connected with the equity properties.

All equity assets are in closed-end commingled accounts.

NPPI is a closed-end account that closed in September 1983. It has a market value of $38.5 million, which is 40% invested in industrial properties, 22% retail and 38% office space.

NPPII is a closed-end fund that closed in June 1985 with a market value of $36.8 million and four participants. The breakdown of the investment is 35% office space, 53% industrial and 12% land.

Of the tax-exempt assets, 99% was invested in existing properties and 1% in development properties. The asset mix by property type was industrial, 47%; office, 36%; retail, 11%; and land, 6%.

Its current emphasis is on industrial high-cube and distribution warehouses; neighborhood shopping centers; and suburban office buildings. Acquisitions are made nationwide, with a focus on the Southeast.

In most cases, on-site management is by local firms or individuals who are supervised by in-house professionals.

The closed-end commingled equity fund, NPP-III, is open for commitments.

Clients include the Vermont State and Vermont Municipal Employees retirement systems, Vermont State Teachers system and National Life Pension Plan.

Howard McCarthy, executive vice president, is in charge of making property investments. Sallie E. Proctor, vice president-director of marketing, is the client contact.

NCNB National Bank

1 NCNB Plaza TO9-1, Charlotte, N.C. 28255; (704) 374-8405

Tax-exempt real estate assets	$577 million
Equity	$577 million
Tax-exempt real estate clients	550
Total real estate assets	$577 million
Equity	$577 million

As of June 30, the book value of NCNB National Bank's holdings for tax-exempt clients was $403 million; market value was $497 million. Contributions committed but not yet received were $80 million. There was $120 million in debt associated with the properties.

Of the total, $269.5 million was in commingled or pooled funds for 544 clients. Direct, separate accounts totaled $307.5 million for six clients.

Eighty-five percent of the assets were invested in existing properties and the remainder in development properties.

There are two commingled funds. NCNB Real Estate Fund, an open-end fund, has 54 investments in 13 cities in six states. Properties include commercial, industrial, office and office-showroom facilities valued from $2 million to $10 million. Most are in office park environments throughout the Southeast.

NCNB Southern Property Fund I is a closed-end fund with investments similar to those of the Real Estate Fund. All projects will be in the South.

The asset mix by property type is office, 6%; office/industrial/warehouse/research and development, 83%; and land, 11%.

Its current acquisition emphasis is on business and office parks. Property management is contracted out, with NCNB supervising the local firms.

Clients include Ohio School Employees, Inter-American Development Bank, The World Bank and Eastern Air Lines Pilots.

Floyd Boyce, senior vice president, is in charge of making property investments. Mark S. Coltrin, vice president, is the client contact.

New England Mutual Life Insurance Co.

501 Boylston St., Boston, Mass. 02117; (617) 578-2000

Tax-exempt real estate assets	$392 million
Equity	$392 million
Tax-exempt real estate clients	130
Total real estate assets	$392 million
Equity	$392 million

General account equity real estate assets are managed by Copley Real Estate Advisors, a wholly owned subsidiary of New England Mutual Life Insurance Co.

Copley also manages New England Life's Developmental Properties Account, a commingled separate account for tax-qualified group pension funds.

The fund invests primarily in joint-venture development projects with local real estate developers. DPA is an open-end fund with 130 policyholders and a net asset value of $392 million as of June 30.

Donald I. Gregg, senior vice president-group pension marketing, is client contact.

New York Life Insurance Co.

51 Madison Ave., New York, N.Y. 10010; (212) 576-7000

Tax-exempt real estate assets	$31 million
Equity	$31 million
Tax-exempt real estate clients	7
Total real estate assets	$7.252 million
Equity	$530 million
Mortgages	$6,722 million

As of June 30, the book value of New York Life Insurance Co.'s equity real estate holdings for tax-exempt clients was $28.2 million and the market value, $27.6 million. Contributions received but not invested were $3.3 million.

All tax-exempt assets were in a commingled fund and invested in existing properties. Its asset mix by property type was 46% office, 31% research and development and 23% retail.

New York Life offers an open-end fund, Real Estate Separate Fund No. 3, to tax-exempt clients. RESA invests in existing industrial, retail, office and research and development properties in proven suburban locations.

Local property management firms are employed for day-to-day management. New York Life employees visit each property at least three times a year.

Harold K. Herzog, senior vice president, is in charge of making property investments. Thomas P. O'Connor, vice president, is the client contact.

The Northern Trust Co.

50 S. LaSalle St., Chicago, Ill. 60675; (312) 630-6000

Tax-exempt real estate assets	$85 million
Equity	$85 million
Tax-exempt real estate clients	5

The book value of tax-exempt real estate equity holdings by the Northern Trust Co. as of June 30 was $76.7 million; market value was $83.6 million. Contributions committed but not yet received were $1.38 million. All tax-exempt assets were in direct, separate accounts.

It invests 90.2% of tax-exempt assets in existing properties and 9.8% in development properties. Asset mix by property type was 23.4% in office space, 66.8% in industrial property and 9.8% in other.

The current emphasis is on sale/leasebacks for large credit corporations.

For tax-exempt investors, Northern Trust manages sale/leasebacks directly. All are "triple net" leased. Inspections are made at least annually.

Edward B. Cohen, vice president, is in charge of making property investments and is the client contact.

How pension funds are investing in venture capital: Nov. 24.

Our investment philosophy makes every year a good year for real estate.

Quite a few years ago, Wachovia developed a new formula for pension fund real estate investment — a formula so unique and yet so effective (see the chart at left), it took Wachovia to conceive it.

10-YEAR PERFORMANCE COMPARISON

*Net of management fees

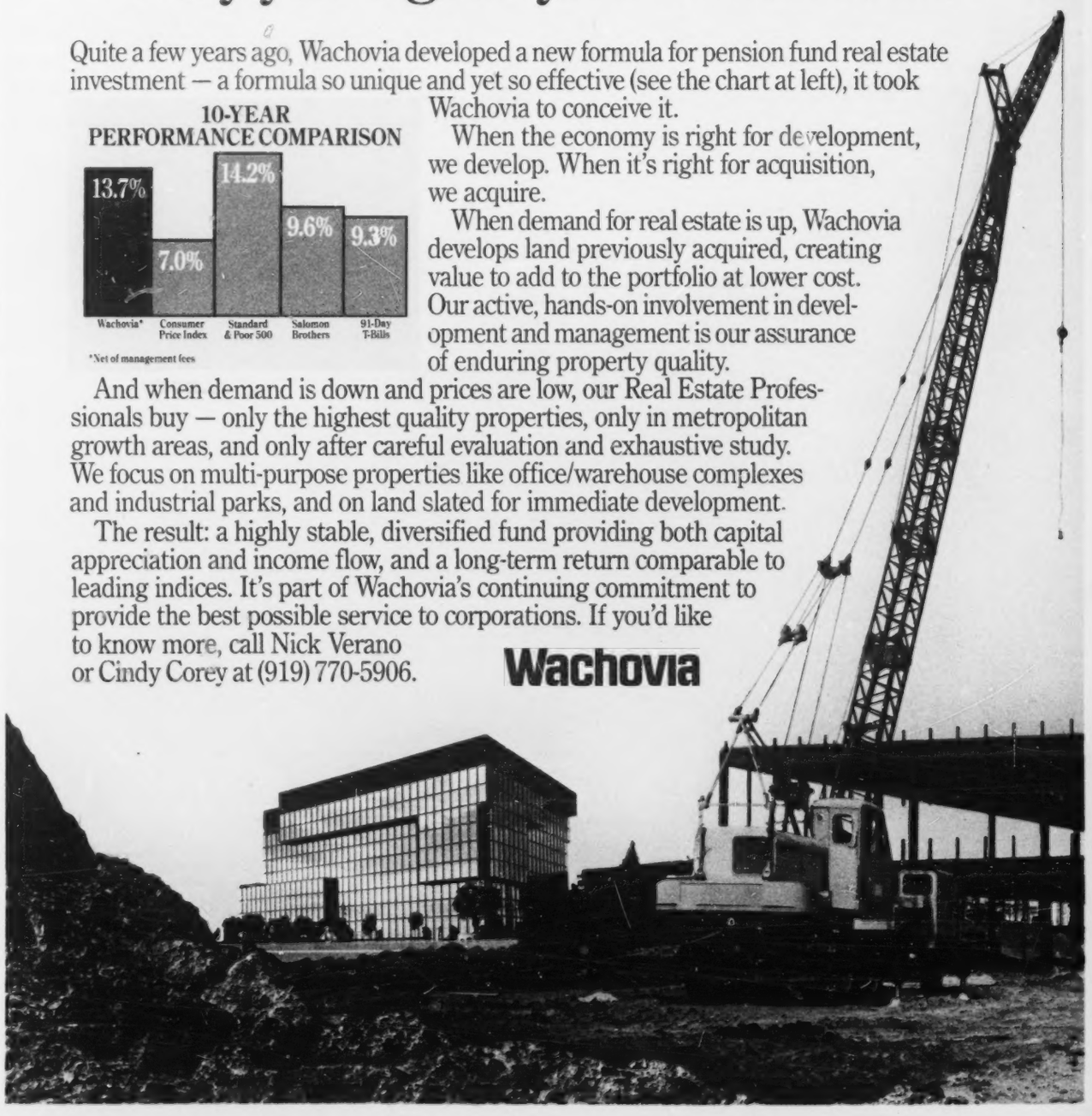
When the economy is right for development, we develop. When it's right for acquisition, we acquire.

When demand for real estate is up, Wachovia develops land previously acquired, creating value to add to the portfolio at lower cost. Our active, hands-on involvement in development and management is our assurance of enduring property quality.

And when demand is down and prices are low, our Real Estate Professionals buy — only the highest quality properties, only in metropolitan growth areas, and only after careful evaluation and exhaustive study. We focus on multi-purpose properties like office/warehouse complexes and industrial parks, and on land slated for immediate development.

The result: a highly stable, diversified fund providing both capital appreciation and income flow, and a long-term return comparable to leading indices. It's part of Wachovia's continuing commitment to provide the best possible service to corporations. If you'd like to know more, call Nick Verano or Cindy Corey at (919) 770-5906.

Wachovia



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The Palmieri Co.

2021 K St. N.W., Suite 700, Washington, D.C. 20006; (202) 223-8690

Tax-exempt real estate assets	$225 million
Equity	$110 million
Hybrid debt	$45 million
Mortgages	$70 million
Tax-exempt real estate clients	5
Total real estate assets managed	$1,875 million
Equity	$310 million
Hybrid debt	$45 million
Mortgages	$1,520 million

As of June 30, The Palmieri Co. managed $225 million in real estate assets for tax-exempt clients, all in commingled funds.

By asset vehicle, $110 million was in 100% equity, $45 million in hybrid debt and $70 million in mortgages.

Of the tax-exempt assets invested, 75% was in existing properties and 25% in development properties. The firm invests in all types of properties, but its current emphasis is on troubled assets.

It takes an active management approach, using independent local managers.

The Palmieri Co. offers two closed-end funds: Victor Palmieri Properties Inc., VPPI, which invests in troubled assets; and VPPI II, which invests in apartment projects.

John A. Koskinen, president, is in charge of making property investments and is the client contact.

The Peckham Boston Co.

4 Longfellow Place, Boston, Mass. 02114; (617) 523-4440

Tax-exempt real estate assets	$18 million
Equity	$18 million
Tax-exempt real estate clients	4

As of June 30, The Peckham Boston Co. managed $18 million in tax-exempt real estate equity for four tax-exempt clients.

All are direct, separate accounts fully invested in existing properties.

The firm invests in net-leased commercial and industrial properties as well as sale-leasebacks.

John M. Peckham III is in charge of making property investments.

Phoenix Mutual

1 American Row, Hartford, Conn. 06115; (203) 275-5348

Tax-exempt real estate assets	$134 million
Equity	$134 million
Tax-exempt real estate clients	134
Total real estate assets	$1,424 million
Equity	$406 million
Mortgages	$1,018 million

Phoenix Mutual's equity holdings for tax-exempt investors had a book value of $102.1 million as of June 30; market value was $119.8 million. Contributions received but not invested accounted for $14.4 million. There was $1.6 million in debt connected with the properties.

All tax-exempt assets were in one commingled account and all were invested in existing properties.

The asset mix by property type was office, 46.3%; office/warehouse, 16.6%; apartments, 21.7%; retail, 11.1%; and research and development, 4.3%.

Phoenix Mutual offers an open-end and closed-end commingled fund. The open-end Real Estate Separate Account has $134 million net assets. The closed-end CEREA I is being offered now and is open for subscription until year end. It has commitments of $30 million.

The daily on-site management of properties is contracted to outside firms. Properties are reviewed quarterly by senior management, and each property is fully appraised annually as well as updated quarterly.

Clients include Armstrong Rubber, the State of Connecticut and Virginia Supplemental Retirement System.

Chuck McMullin, vice president-real estate, is in charge of making property investments. Tom Hogan, national director-real estate, is client contact.

PMRealty Advisors Inc.

800 Newport Center Dr., Suite 300, Newport Beach, Calif. 92660; (714) 721-5000

Tax-exempt real estate assets	$323 million
Equity	$323 million
Tax-exempt real estate clients	13
Total real estate assets	$646 million
Equity	$646 million

As of June 30, book value and market value of tax-exempt real estate equity assets held by PMRealty Advisors was $75 million. There was $7 million in debt connected with the properties.

Contributions committed but not yet received totaled $248.2 million. Of the tax-exempt total, $123.3 million was in commingled or pooled funds for 12 clients and $200 million was in direct, separate accounts for one client.

All tax-exempt assets are invested in existing properties. The asset mix by property type was retail, 26%; industrial/research and development, 12%; and office, 62%. Because of the oversupply of office space, current emphasis is on retail and industrial.

PMRealty offers three closed-end group trusts. AmericaWest I invests in fully built and leased commercial properties, primarily in the West. Properties are wholly owned in the $5 million to $10 million range.

AmericaWest II invests in fully built and leased commercial properties in high-growth corridors of major metropolitan areas with an emphasis on the West and Southwest. The majority of the properties will be wholly owned, but may include some joint ownership. Properties are expected to be in the range of $5 million to $20 million and will consist primarily of retail and industrial/research and development.

PMRA III, which is open to subscription, has a focus similar to AmericaWest II, but investment will be nationwide.

All management is overseen by in-house asset managers who specialize in property types. They oversee the property managers, who are involved in the daily operation of their respective investments.

Asset managers also prepare, implement and monitor management plans and budgets; inspect properties every four weeks; and work with property managers to implement the management plan.

Outside fee managers are used, depending on the size and location of the property.

Clients include Air Products and Chemicals, Boise Cascade, Cincinnati Bell and Washington state.

Carl A. Mayer Jr., managing director, and James McWalters, senior vice president-acquisitions, are in charge of making property investments. Pete Hammer, managing director, is client contact.

Principal Mutual Life Insurance Co.

711 High St., Des Moines, Iowa 50309; (515) 247-6791

Tax-exempt real estate assets	$43 million
Equity	$43 million
Tax-exempt real estate clients	621
Total real estate assets	$7,065 million
Equity	$98 million
Mortgages	$6,967 million

As of June 30, Principal Mutual Life Insurance Co., formerly The Bankers Life, managed $42.9 million in real estate equity for tax-exempt clients, all in its open-end Real Estate Separate Account.

The account invests in office and industrial properties and shopping centers. Only existing properties producing current income are acquired. Holdings are diversified by property type and location.

The asset mix by property type is retail, 33%; office, 35%; and industrial, 32%.

Local property managers are hired, with each property visited at least four times a year.

Ray L. Hays, regional director-commercial real estate, is in charge of making property investments. Dan J. Fitzgerrell, director-pension operations, is the client contact.

Property Capital Associates

200 Clarendon St., 47th floor, Boston, Mass. 02116; (617) 536-8600

Tax-exempt real estate assets	$544 million
Equity	$544 million
Tax-exempt real estate clients	52
Total real estate assets	$660 million
Equity	$660 million

As of June 30, Property Capital Associates's equity real estate holdings for tax-exempt clients had a market value of $400 million and book value of $265 million. Of the total equity assets, $14 million was for contributions received, but not invested and $130 million was for contributions committed, but not received.

Commingled funds held $519 million and $25 million was in direct, separate accounts.

The firm invested $15 million for foreign clients, $11 million of that for pension funds.

All tax-exempt assets are invested in existing properties nationwide. The asset mix by property is: office buildings, 40%; shopping centers, 24%; hotels, 16%; apartments, 12%; and industrial, 8%.

Its Property Capital Trust, a closed-end fund, is a publicly held real estate investment trust that invests in major income-producing properties nationwide.

PCA Institutional Real Estate Partnerships is also a closed-end fund. Each partnership is formed to invest in a special property, such as an office building, shopping center or hotel.

Americana Hotels & Realty Corp. is a closed-end fund.

Staff members actively oversee joint-venture partners who typically retain property management responsibilities.

Clients include Harvard University, Howard Hughes Medical Institute and the Rockefeller Foundation.

Anthony D. Fox, director, is in charge of making property investments. Robert M. Armstrong, director, is the client contact.

Prudential Realty Group

745 Broad St., Newark, N.J. 07101; (201) 877-9298

Tax-exempt real estate assets	$6,428 million
Equity	$6,118 million
Mortgages	$310 million
Tax-exempt real estate clients	369
Total real estate assets	$33,558 million
Equity	$15,812 million
Mortgages	$17,747 million

Prudential Realty Group had $6.43 billion under management for tax-exempt clients as of June 30. Equity holdings accounted for $6.12 billion in assets, with $440.9 million accounting for contributions received but not invested and $111 million contributions committed but not yet received. The market value of the equity was $5.57 billion; there was $518.2 million in debt associated with the properties.

The market value of the mortgage holdings was $225.5 million; contributions received but not invested totaled $84.3 million.

All tax-exempt real estate assets were in commingled or pooled funds for 337 equity clients and 32 mortgage clients.

There was 98% of assets in existing properties and 2% in development properties.

Asset mix by property type is agriculture, 1%; apartment, 4%; hotel, 9%; industrial, 14%; land, 1%; office, 57%; retail, 14%.

Prudential offers several commingled funds, including PRISA, the oldest and largest commingled, broadly diversified, actively managed open-end real estate fund in the United States.

PRISA II, established in 1980, invests opportunistically in fully built and leased properties.

Two open-end commingled separate accounts for mortgages — PRIMOR and MORISA — emphasize mortgages with participation features. PRIMOR is for plans that prefer to invest in project built with union labor.

PRACE I and II are closed-end commingled accounts for investment in income-producing real property.

Properties are managed by outside managers, who are directly responsible for enhancing the value of a property during the holding period.

Clients include Campbell Soup, Los Angeles County Employees, Colorado Fire & Police and A.H. Robins.

Paul B. Firstenberg, senior vice president, is in charge of making property investments. Buck Bowen, senior vice president, is the client contact.

PSI Institutional Realty

1015 Grandview Ave., Glendale, Calif. 91201; (818) 244-8080

Tax-exempt real estate assets	$1,017 million
Equity	$1,017 million
Tax-exempt real estate clients	93
Total real estate assets	$2,057 million
Equity	$2,057 million

As of June 30, PSI Institutional Realty, a division of Public Storage

Bank of Boston
Real Estate Investment
Management

Solid performance. Real estate expertise in pension fund management, ownership and lending.

- Northeast Properties Investment Fund
- Pooled Real Estate Investment Fund
- Special Accounts

Contact:
Derek J. Cavanaugh,
Director
(617) 434-0494

Bank of Boston
Real Estate Group
100 Federal Street
Boston, MA 02110

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1784

BANK OF BOSTON

Inc., managed $1 billion in tax-exempt assets. The equity holdings had a book value of $564.6 million and a market value of $925.7 million.

Contributions received, but not invested, accounted for $36 million; contributions committed, but not received, accounted for $55 million.

Of the total, $955.7 million was in commingled funds for 90 clients and $61 million in direct, separate accounts for three clients.

PSI also invests $221.8 million for foreign pension clients.

The firm invests 10% in existing properties and 90% in development properties, offering closed-end funds and separate accounts.

The asset mix by property type was: 85% in acquisition and development of self-storage facilities and 15% in business parks.

Public Storage Management Inc., a subsidiary of Public Storage, manages all the properties.

It offers Public Storage Institutional Funds, a series of closed-end funds formed to acquire commercial and high-grade industrial sites and develop self-storage facilities on such sites. All deals are on an all-cash basis.

Clients include Connecticut, Ameritech, Hawaiian Electric and Eastman Kodak.

Hugh W. Horne, president of site acquisition and development, is in charge of making property investments. Nori Gerardo, senior vice president, is the client contact.

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RepublicBank Dallas

P.O. Box 241, Dallas, Texas 75221; (214) 922-5878

Tax-exempt real estate assets	$46 million
Equity	$38 million
Hybrid debt	$8 million
Tax-exempt real estate clients	53
Total real estate assets managed	$46 million
Equity	$38 million
Hybrid debt	$8 million

The book value of real estate holdings by RepublicBank Dallas for tax-exempt clients as of June 30 was $33.4 million in equity and $7.8 million in hybrid debt. Market value was $33.8 million equity and $7.8 million, hybrid debt.

Contributions received but not invested for real estate equity were $3.9 million.

All of the assets were in commingled or pooled funds for 53 clients.

Ninety-six percent of the investments was in existing properties and 4% in development properties.

The asset mix by property was office, 51%; industrial, 28%; retail, 21%.

It invests in income-producing properties through 100% ownership, acquisitions and equity-oriented convertible mortgages. The emphasis is on apartments and retail properties in second-tier cities in the southern half of the United States. Properties are valued between $3 million and $7 million.

RepublicBank Estate Equity Fund, an open-end fund, invests in properties with long-term growth potential. Assets are invested primarily in completed and leased projects with a cash flow history.

Local property is managed by in-house staff. Out-of-town properties are managed by fee agents with in-house staff approving all leases. All properties are inspected at least monthly.

Clients include TEECO, Methodist Hospital of Dallas, General Automotive and Austin Steel.

James L. Hitt, vice president and director of real estate investments, is in charge of making property investments. Vida S. Icenogle, vice president and director-investment marketing, is client contact.

T.W. Richardson & Co.

100 Pine St., Suite 1275, San Francisco, Calif. 94111; (415) 391-2880

Tax-exempt real estate assets	$9 million
Equity	$9 million
Tax-exempt real estate clients	4
Total real estate assets	$9 million
Equity	$9 million

As of June 30, the book value of equity real estate holdings for tax-exempt clients by T.W. Richardson & Co. was $6.7 million; market value was $9.19 million. There was $3.8 million in debt associated with the equity properties.

All assets were held in direct, separate accounts for four clients.

The company, which offers direct, separate accounts and partnerships, invests all of its assets in existing properties. Asset mix by property type was 40% industrial; 25% office; and 35% land. The emphasis in acquisitions is on industrial land and buildings in the South and Southwest.

The company manages all of its own properties.

Clients are Freeport Associates, Hartsfield-Atlanta 1, The Arlington Plan and Arlington-Oakport Ltd.

Thomas W. Richardson is in charge of making property investments and is the client contact.

The RREEF Funds

650 California St., Suite 1800, San Francisco, Calif. 94108; (415) 781-3300

Tax-exempt real estate assets	$2,997 million
Equity	$2,997 million
Tax-exempt real estate clients	80
Total real estate assets	$2,997 million
Equity	$2,997 million

As of June 30, the book value of holdings for tax-exempt clients of the RREEF Funds was $1.89 billion; market value was $2.4 billion. Contributions received but not invested totaled $54.1 million; contributions committed but not yet received totaled $535.8 million.

Of the tax-exempt assets invested, $2.79 billion was invested in commingled or pooled funds and $200 million was in direct, separate accounts.

RREEF offers three series of non-competing closed-end real estate funds and a limited number of separate accounts.

All investments are in existing properties. The asset mix by property was office buildings, 45%; shopping centers, 27%; industrial, 18%; business parks, 9%; and residential, 1%.

The recent emphasis has been on shopping centers and industrial properties in major metropolitan areas nationwide.

All but 5% of property management is performed in-house. About 20% of properties have on-site managers and those without are visited once a week by the district manager.

RREEF West-VII, a $125 million fund, and RREEF USA-IV, a $500 million fund, will open for subscriptions in late 1986.

Clients include AT&T, Monsanto, Connecticut and Illinois State Universities Retirement System.

The 14 acquisitions principals are in charge of making property investments. Paul Sack, principal, is the client contact.

Frank Russell Trust Co.

1201 Pacific Ave., First Interstate Plaza, Suite 1912, Tacoma, Wash. 98402; (206) 572-2282

Tax-exempt real estate assets	$160 million
Equity	$160 million
Tax-exempt real estate clients	54
Total real estate assets	$160 million
Equity	$160 million

As of June 30, Frank Russell Trust Co.'s real estate holdings for tax-exempt clients had a book value of $149.7 million and a market value of $159.6 million. All tax-exempt real estate assets were in commingled or pooled funds for 54 clients.

Its commingled fund, Real Estate Equity Fund, provides diversification by style, property type, location, value range and investment structure, using the skills, experience and strategies of a group of real estate investment organizations.

Clients include A.B. Dick, Hilton International and Policemen's Annuity and Benefit Fund of Chicago.

David A. Anderson, chief investment officer, is in charge of making property investments. Paul R. Kaltinick, president, is the client contact.

Review and outlook: Dec. 22

At NCNB, We Follow The Philosophy Of The Pharaohs.

They knew two things were critical to solid real estate investments. Quality construction and teamwork. Given the enduring results of that way of thinking, NCNB insists on it too.

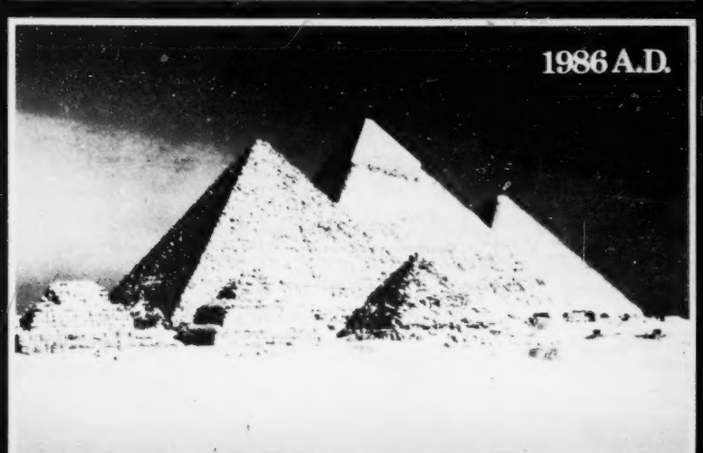
Our experienced team of development, architectural, construction, and property management specialists work exclusively with high-quality properties, located primarily in the Southeast. And our dedication to quality and teamwork has paid substantial dividends.

With consistently high returns, the NCNB Real Estate Fund has climbed to the peak of the industry in recent years. We've cemented our place at the top of the open-end fund universe with an average annual return of 16.4%* over the last five years. Our ten-year average is just as impressive.

Many real estate investments may look good in the short run, but The NCNB Real Estate Fund has passed the ultimate test...the test of time. Call Mark Coltrin, NCNB Trust Group Vice-President for details at (704) 374-8405.

*As reported by CDA Investment Technologies, Inc. for the period ending 12/31/85.

NCNB



NCNB REAL ESTATE FUND

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Fayez Sarofim & Co.

2 Houston Center, Suite 2907, Houston, Texas 77010; (713) 654-4484

Tax-exempt real estate assets	$63 million
Hybrid debt	$10 million
Mortgages	$53 million
Tax-exempt real estate clients	9
Total real estate assets	$63 million
Hybrid debt	$10 million
Mortgages	$53 million

As of the year ended June 30, Fayez Sarofim & Co. had $62.9 million in real estate investments, all for tax-exempt clients. Of the total, $52.1 million was in a commingled mortgage fund and $10.8 million was in direct, separate accounts.

The firm had $10 million in commitments not yet received for hybrid debt, and $52.9 million in mortgages. Of the mortgage assets, $7.9 million represented contributions received but not invested and $686,695 was in a cash account.

All of the tax-exempt assets were invested in existing properties. The asset mix by property type is: office buildings, 62%; industrial, 18%; retail, 13%; and service center, 7%.

The firm offers closed-end real estate funds, direct separate account investment management and real estate investment counseling.

Its closed-end fund, Sarofim Investors Realty Fund (P-I) is a participating mortgage fund with eight investors.

Fayez Sarofim & Co. emphasizes well-located office buildings, industrial and retail properties nationwide in cities with populations of more than 1 million.

It uses outside property managers.

Avon, Reader's Digest and Hughes Aircraft are among the clients.

Joshua M. Brown, vice president, is in charge of making property investments and is the client contact.

Schroder Real Estate Associates

437 Madison Ave., New York, N.Y. 10022; (212) 486-9800

Tax-exempt real estate assets	$50 million
Equity	$50 million
Tax-exempt real estate clients	1
Total real estate assets	$1,054 million
Equity	$888 million
Hybrid debt	$166 million

As of June 30, Schroder Real Estate Associates had a commitment, but had not yet received the cash, of $50 million from one U.S. tax-exempt client.

Of its $1.05 billion in total assets managed, $964 million was for foreign pension funds.

The firm offers closed-end funds and separately managed accounts.

It seeks to acquire underutilized retail, office or industrial properties nationwide that respond to its active ownership, which includes expansion, modernizing, remerchandising and other value-enhancement strategies.

Its management style is direct and active, placing its own employees at the site.

Its U.S. client is the Ohio Police & Firemen's Fund. Foreign clients include IBM (U.K.), British Shell and British Post Office & Telecommunications Workers.

Charles Grossman and Norman L. Peck, managing partners, are in charge of making property investments. John E. Emmanuel, senior vice president, is the client contact.

Scudder Realty Advisors Inc.

333 S. Hope St., 37th floor, Los Angeles, Calif. 90071; (213) 628-1144

Tax-exempt real estate assets	$440 million
Equity	$40 million
Hybrid debt	$120 million
Mortgages	$280 million
Tax-exempt real estate clients	12
Total real estate assets	$440 million
Equity	$40 million
Mortgages	$280 million
Hybrid debt	$120 million

As of June 30, all tax-exempt assets under management by Scudder Realty Advisors were in direct, separate accounts, and all were invested in existing properties.

Its holdings consisted of shopping centers, industrial, office and apartment properties nationwide.

All properties are managed by outside professionals.

Scudder has established a small-loan program — $250,000 to $2.5 million — on properties in the first through third quartile. These are fixed-rate loans on properties throughout the United States.

Clients include Sacramento County Employees, Ventura County Employees, city of San Diego Retirement System and Carpenters Pension Trust for Southern California.

Tina K. Kelly, vice president, is in charge of making property investments in the small loan program. James C. Whitten, vice president, and Robert M. Imm, assistant vice president, are in charge of making property investments in equities and hybrid debt.

Christopher B. "Kip" Davis, senior vice president, is the client contact.

Security Capital Real Estate

1290 Avenue of the Americas, New York, N.Y. 10104; (212) 408-2911

Tax-exempt real estate assets	$753 million
Equity	$753 million
Tax-exempt real estate clients	165
Total real estate assets	$1,010 million
Equity	$1,010 million

As of June 30, Security Capital Real Estate Corp. managed $752.9 million in tax-exempt equity real estate, of which $230.8 million represented contributions received but not invested and $11.8 million, contributions committed but not yet received.

The firm's holdings had a book value of $476.8 million and a market value of $511.3 million. There was $69 million in debt associated with the properties.

All tax-exempt assets were in its open-end fund, Security Capital Real Estate Fund.

The group trust purchases 100% equity interests in existing, income-producing properties in the $5 million to $25 million range. The asset mix by property type was: multifamily residential, 74%; shopping centers, 12%; office buildings, 11%; and multipurpose warehouse, 3%.

Property management is done by company employees; site inspections by senior management are conducted bimonthly.

Clients include U S WEST, K mart, Ford and Alaska.

John Streicker, president, is in charge of making property investments. Lewis W. Kresch, first vice president, is the client contact.

Southland Trust Co.

400 N. Olive, 700 Skyway Tower, Dallas, Texas 75201; (214) 969-1070

Tax-exempt real estate assets	$113 million
Equity	$113 million
Tax-exempt real estate clients	12
Total real estate assets managed	$113 million
Equity	$113 million

As of June 30, Southland Trust Co. managed $113 million in tax-exempt real estate equity assets, of which $1.2 million represented contributions received but not invested and $23.8 million represented contributions committed but not yet received.

The book value of tax-exempt real estate equity holdings was $60.9 million; market value was $88.2 million. There was $16.6 million in debt associated with the properties.

Of the total, $15.4 million was in commingled or pooled funds for 10 clients; $97.8 million was in direct, separate accounts for two clients.

Fifty-four percent of tax-exempt assets was in existing properties and 46% in development properties.

Southland invests 10% of its tax-exempt assets in office/showroom; 8% in retail; 26% in industrial; 10% in parking garages; and 46% in land development.

The Southland Real Estate Equity Fund, an open-end fund, emphasizes location and quality construction, earnings growth potential and active portfolio and property management. Properties with below-market rents are acquired for rollover in a short time. Most have excess land to allow for upgrading. The properties are 95% leased.

Properties are in Texas, North Carolina, Illinois and Kansas. Those under consideration are in California, Arizona, Georgia and the Northeast.

Managers are contracted to manage each property. Southland personnel closely review and approve all leases, remodeling and other changes.

In the coming year, an apartment fund will be initiated.

Clients include Minyard Food Stores, Optic-Electronics, Eastern Airlines Pilots and Dallas Police & Firemen.

Paul E. Dunn and Mark D. Wentz III are in charge of making property investments. Mr. Dunn, president, is the client contact.

State Street Bank and Trust

225 Franklin St., Boston, Mass. 02110; (617) 654-3236

Tax-exempt real estate assets	$329 million
Equity	$200 million
Hybrid debt	$129 million
Tax-exempt real estate clients	21
Total real estate assets	$359 million
Equity	$200 million
Hybrid debt	$159 million

The book and market values of equity holdings by State Street Bank and Trust Co. for tax-exempt clients were each $133.6 million as of June 30. Hybrid debt holdings had a book value of $92.1 million and market value of $95.5 million.

In addition, State Street had $30.3 million in contributions received but not invested and $100 million in contributions committed but not yet received from tax-exempt clients. Of that $100 million, approximately $66 million will be invested in real estate equity and $34 million in either hybrid debt or mortgages.

There was $10.7 million debt connected with the equity portion and $44.3 million in debt connected with the hybrid debt portion of the properties.

All tax-exempt assets were in four closed-end commingled or pooled funds: State Street Real Estate Fund I, II, III and IV.

State Street Bank and Aldrich, Eastman & Waltch have developed the funds with an investment philosophy based on an opportunistic, flexible approach.

Of the tax-exempt assets, 95% was in existing properties and 5% in development properties. The allocation by property type is 38% retail, 33% industrial/research and development and 29% office. The funds also may invest in warehouses, light manufacturing and distribution facilities, hotels/motels, residential and land.

Properties are acquired to ensure diversification, with each investment proposal evaluated on its own characteristics.

There are various property management arrangements, depending on investment structure and property needs. The borrower/partner often is the property manager. For fee-owned properties, an incentive-compensated manager is hired when implementing leasing or capital improvement programs. For general maintenance, State Street will consider a contract manager. All properties are visited quarterly.

Real Estate Fund V will be available for subscriptions throughout the coming year, or until $100 million is committed.

Clients include CBS, GTE, Honeywell and World Bank.

John Pattillo, principal, Aldrich, Eastman & Waltch Inc., is in charge of making property investments. Harry Sterling Jr., vice president, is client contact.

SUHRCO Real Estate Advisors Inc.

401 Parkplace, Suite 501, Kirkland, Wash. 98033; (206) 828-4464

Tax-exempt real estate assets	$88 million
Tax-exempt real estate clients	3
Total real estate assets	$108 million

SUHRCO Real Estate Advisers Inc. specializes in direct accounts on both a discretionary and non-discretionary basis, with particular emphasis on turnarounds of existing shopping centers and large office buildings.

t

TCW Realty Advisors

400 S. Hope St., Suite 600, Los Angeles, Calif. 90071-2899; (213) 683-4200

Tax-exempt real estate assets	$857 million
Equity	$545 million
Hybrid debt	$312 million
Tax-exempt real estate clients	56
Total real estate assets	$857 million
Equity	$545 million
Hybrid debt	$312 million

As of June 30, the book value of the $857.4 million real estate holdings by TCW Realty Advisors for tax-exempt clients was $293.9 million in 100% equity and $301.9 million for hybrid debt; market value was $315.2 million, equity, and $312.4 million, hybrid debt. There was $26.9 million in debt associated with the equity properties.

Contributions received but not invested totaled $158.3 million for equity, and contributions committed but not yet received were $71.5 million for equity.

Of the tax-exempt total, $592 million was in commingled or pooled funds for 52 clients; $265 million was in direct, separate accounts for four clients.

TCW offers closed-end, commingled funds and direct, separate account investment management. Its five funds are TCW Realty Funds I, II, III and IV, and TCW Land Fund I. Realty Fund IV and Land Fund I are open for contributions through November 1986 and January 1987, respectively.

All tax-exempt assets were in existing properties; property mix by type was 60%, office; 27%, industrial; 13%, retail.

TCW invests in general purpose industrial, retail and office properties nationally. In-house research directs the acquisition staff to selected areas depending on market conditions and product type desired.

TCW Realty Portfolio Managers oversee local third-party, on-site managers. TCW controls all lease negotiations, capital expenditures and budgets. On-site inspections occur at least quarterly.

All properties are reviewed monthly by the TCW Operating Committee, with input from the in-house research department.

Clients include U S WEST, Rockwell, Pacific Gas & Electric and Minnesota.

Roger Schultz, senior partner and director of acquisitions, is in charge of making property investments. Bruce Ludwig, senior partner and director of marketing, is the client contact.

Third National Bank

424 Church St., 3rd floor, Nashville, Tenn. 37244; (615) 748-5479

Tax-exempt real estate assets	$25 million
Equity	$22 million
Hybrid debt	$3 million
Tax-exempt real estate clients	80
Total real estate assets	$71 million
Equity	$68 million
Hybrid debt	$3 million

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GULFSTREAM
Florida's Real Estate Company
Write Gulfstream's Market Development Group at 6751 W. Broward Blvd., Plantation, FL, 33324.

As of June 30, Third National Bank had $24.8 million under management for 80 tax-exempt clients.

Of that, $21.9 million was for real estate equity and $2.9 million was in hybrid debt.

Equity contributions received, but not invested, accounted for $6.6 million of the total.

The firm's property holdings had a market value of $18.1 million: $15.2 million for equity and $2.9 million for hybrid debt. The book value was $17.3 million: $14.9 million, equity, and $2.4 million, hybrid debt.

All assets were in a commingled open-end fund.

Tax-exempt assets were invested 99% in existing properties and 1% in developmental properties. The asset mix by property type is: retail, 48.8%; office, 38.9%; warehouse, 10.7%; and land, 1.6%.

It seeks to acquire retail centers, warehouse properties and special use facilities (such as medical buildings) in the Southeast.

The bank's policy is to use local, well-respected property management firms.

Employees conduct periodic on-site inspections, the frequency of which depends on the particular situation.

Tax-exempt clients include Murray Ohio Manufacturing and Memphis Light, Water & Gas.

Steve Iler, vice president and fund manager, is in charge of making property investments. He is also the client contact

Tomlin Properties Inc.

5310 Harvest Hill Road, Suite 172, Dallas, Texas 75230; (214) 239-8041

Tax-exempt real estate assets	$21 million
Equity	$21 million
Tax-exempt real estate clients	6
Total real estate assets	$450 million
Equity	$450 million

As of June 30, the book value of the holdings for tax-exempt clients of Tomlin Properties Inc. was $4.5 million; market value was $20.5 million. All tax-exempt assets are in direct, separate accounts for six clients.

Of the total assets under management, $150 million is for foreign clients.

The firm invests in predeveloped land in Dallas, Atlanta and Phoenix.

On-site employees are used for its intensive management program to enhance value.

Dan O. Tomlin Jr., chairman of the board, is in charge of making property investments. Neil J. Johnston, executive vice president, is client contact.

The Travelers

1 Tower Square, Hartford, Conn. 06183; (203) 277-0271

Tax-exempt real estate assets	$547 million
Equity	$468 million
Mortgages	$79 million
Tax-exempt real estate clients	55
Total real estate assets	$18,294 million
Equity	$1,513 million
Mortgages	$16,781 million

As of June 30, The Travelers managed $468 million in tax-exempt equity real estate assets, of which $2.6 million represented contributions received but not invested and $50.4 million in contributions committed but not yet received.

The book value of equity holdings was $368 million and the market value, $415 million. There was $16.1 million in debt associated with the properties.

The book value of mortgages was $77.9 million and market value, $79.3 million.

Of the tax-exempt equity assets, $400.5 million was in commingled funds and $65.3 million was in direct, separate accounts. All the tax-exempt mortgage assets were in commingled funds.

All of the tax-exempt assets were invested in existing properties. The asset mix by property type is: office buildings, 60.6%; industrial/warehouse, 12.5%; commercial/shopping centers, 8.9%; timberland, 8.6%; hotels, 5.9%; and agriculture, 3.5%.

The Travelers offers several open- and closed-end funds. Separate Account R, an open-end fund that is open for contributions, invests in recently constructed, income-producing properties and in first and junior mortgages on those properties.

Separate Account T-I, a closed-end fund that is closed to contributions, invests exclusively in timberland; T-II, a closed-end fund that invests only in timberland, is open for contributions.

Separate Account ASA is a closed-end fund that is closed to contributions. It invests exclusively in income-producing agricultural properties.

Its staff of 15 professionals, in areas of its greatest property concentration, work closely with outside fee managers and leasing agents.

Clients include Maine, Consolidated Edison Co. of New York and Allied-Signal.

Leonard Green, second vice president-real estate investment department, is in charge of making property investments. B. Thomas Willison, vice president-asset management and pension services, is the client contact.

Trident/Meyer Real Estate Advisors

888 S. West St., Suite 400, Anaheim, Calif. 92802; (714) 999-6813

Tax-exempt real estate assets	$204 million
Equity	$172 million
Hybrid debt	$32 million
Tax-exempt real estate clients	5
Total real estate assets	$204 million
Equity	$172 million
Hybrid debt	$32 million

As of June 30, Trident/Meyer Real Estate Advisors had tax-exempt equity real estate assets totaling $172.4 million, of which $30 million represented contributions received but not invested and $59 million, contributions committed but not yet received.

Its equity holdings had book value of $60.2 million and market value of $83.4 million. Its hybrid debt holdings had book value of $29 million and market value of $32 million.

Its commingled or pooled funds accounted for $65 million of the equity holdings, with $107.4 million in direct, separate accounts. Its hybrid debt investments were all for commingled funds.

All investments are in existing properties; the asset mix by property type was 90% commercial and 10% office.

Trident/Meyer invests primarily in office, industrial and commercial properties.

Each of its funds has specific geographical criteria.

Public Pension Fund I, an Illinois group trust whose participants are three Chicago public pension funds, makes all investments in Illinois, primarily in office buildings, industrial properties and shopping centers. The investments for the Ohio Police and Firemen's Disability and Pension Fund are in the Midwest and West. Those made for the Kern County Employees' Retirement Association emphasize the West, but are allowed nationwide.

Property management is through Trident/Meyer's property management and leasing department, with staff members in California, Arizona, Illinois and Colorado. All lease negotiations are conducted by property managers and approved by the senior vice president of property management and leasing.

On-site outside property managers are used for some properties. Where there is in-house management, properties are visited twice monthly.

Allen W. Ralston, president and managing director, is in charge of making property investments and is the client contact.

U

The Union Labor Life Insurance Co.

111 Massachusetts Ave., Washington, D.C. 20001; (202) 682-0900

Tax-exempt real estate assets	$223 million
Mortgages	$223 million
Tax-exempt real estate clients	129
Total real estate assets	$435 million

For those who say there's no more money in real estate...

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Funds place . . .

Continued from page 15

separate accounts within the past 12 months and reported three as of June 30, moved to fourth from seventh place in the new business list. It had $710 million in new business, of which $400 million was in direct, separate accounts.

Just among the Top 10 firms in new business for the 12 months, separate accounts comprised $3.67 billion. That is more than $1 billion more than they received in commingled new business, $2.6 billion.

Other advisers among the Top 10 in new business, their total new business and the portion represented by direct accounts were: Equitable Real Estate Investment Management Inc., New York, $641 million and $423 million; Heitman Advisory Corp., Chicago, $611 million and $300 million; F.I.A. Associates, Sacramento, Calif., $492 million and $463 million; NCNB National Bank, Charlotte, N.C., $440 million and $95 million; The Boston Company Real Estate Counsel Inc., Boston; $400 million, all in separate accounts; and TCW Realty Advisors, Los Angeles, $396 million and $180 million.

Balcor Institutional Realty Advisors Inc., Skokie, Ill., which does much of its business in real estate investment trusts or limited partnerships, was the only one of the Top 10 in most new business during the 12 months that reported no separate account business, although it does seek that business.

Five of the 10 managers — Richard Ellis, Balcor, F.I.A., NCNB and TCW — are new to the list this year.

Of the $73.3 billion total tax-exempt assets reported under management this year, direct accounts comprised $23.4 billion, or 32%.

This trend represents quite a change from the 1970s, when pension fund investment in real estate was extensively in open- and closed-end commingled funds.

A key reason behind the plunge by plan executives into direct rather than commingled investment, is control, according to real estate investors.

If a sponsor invests in a commingled fund that buys primarily office properties with no leverage, the fund's money is pretty much locked-in to that investment, explained Alan Emkin, a vice president with the consulting firm Wilshire Associates, Santa Monica, Calif.

But with a separate account, an executive might start out not wanting to use borrowed money on investments, but seeing a sharp drop in interest rates, might redirect the real estate portfolio to include leveraged investments, an option the executive cannot modify directly in a particular open or closed-end commingled fund.

Thus through a separate account, the fund executive can take advantage of changing economic conditions and tailor a real estate portfolio so it has a better fit with other investments.

The relatively rapid growth in individual accounts is being fed by large, often sophisticated pension funds, according to Mr. Emkin.

Consequently, he said, the allocation of several hundred million of dollars for direct accounts can represent part of the assets of just a few pension funds. It takes a bare minimum of $75 million to set up a separate account, and many invest several times that amount so a pension fund has enough money allocated to buy enough different properties to diversify the portfolio by property type and geographically.

Who is making such separate account investments? To a large extent, it is the large public funds — such as the Florida State Board of Administration and the California Public Employees' Retirement System — which have increased their interest in real estate, and the regional telephone companies that broke off from American Telephone & Telegraph Co., New York, according to David Hodes, a vice president with Richard Ellis Inc.

Because many of the large public funds have billions of dollars in assets, they prefer setting up separate accounts that give them more control over investments, he said. Additionally, many of the regional telephone company executives believe they have enough exposure already through their part-

Continued on page 41

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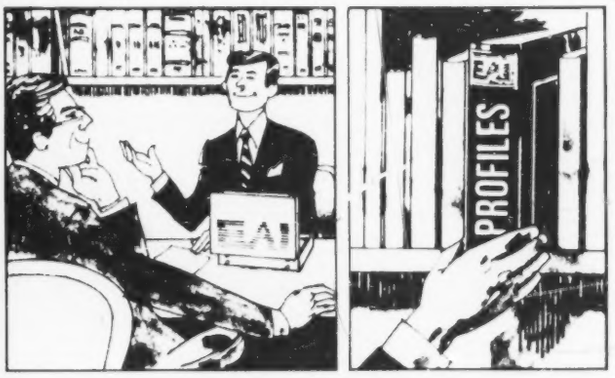

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EAI EVALUATION ASSOCIATES, INC
25 Sylvan Road South, Westport, CT 06880. (203) 226-7864

Equity ..... $212 million
Mortgages ..... $223 million

As of June 30, the book value of Union Labor Life Insurance Co.'s Pooled Mortgage Separate Account J for Jobs was $88.9 million; market value was $99.1 million. Contributions received but not invested totaled $123.6 million.

The J for Jobs account invests in long-term first mortgages on properties generally built or renovated with union labor. Location and type of properties are diversified to minimize risk.

Clients include the Laborers Union, Sheet Metal Workers, Bricklayers Union and Carpenters Union.

E.R. Saathoff, vice president-mortgages, is in charge of making property investments. John Stephan and R.C. Cassin, directors of group pension sales, are client contacts.

United Trust Fund

4770 Biscayne Blvd., Miami, Fla. 33137; (305) 576-7711

Total real estate assets ..... $220 million
Equity ..... $220 million

As of June 30, United Trust Fund had no tax-exempt clients.

It invests in sale-leasebacks of office buildings, warehouses, distribution facilities and retail facilities that are leased to a major credit tenant under a long-term net lease.

Fred Berliner, senior vice president-acquisitions, is in charge of making property investments. James Nolan, executive vice president, is the client contact.

W

Wachovia Real Estate Fund

P.O. Box 3099, Suite 1700, Winston-Salem, N.C. 27150; (919) 770-4169

Tax-exempt real estate assets ..... $627 million
Equity ..... $627 million
Tax-exempt real estate clients 320
Total real estate assets ..... $646 million
Equity ..... $646 million

As of June 30, the market value of Wachovia's equity real estate holdings for tax-exempt clients was $626.9 million. Of the total, $377 million was in commingled or pooled funds and $250 million was in direct, separate accounts.

Wachovia's asset mix by property type was 4% office, 58.7% industrial and 37.3% land.

The Wachovia Real Estate Fund is an open-end, commingled fund seeking both capital appreciation and income flow. The investment approach combines acquisition and development. Emphasis is on business parks, which include a mixed use of office, distribution, warehouse, light assembly, hotel and some retail.

On-site property management is the responsibility of the property manager working with a local developer, a manager hired on a contract basis or the joint venture partner. The bank's project managers report to the department manager and are responsible for daily contact with the on-site manager, monthly audits and all construction fund requests.

Clients include AT&T, Eli Lilly, AMP and the Newspaper Guild.

Robert Smedley, senior vice president-real estate trust department, is in charge of making property investments. Cindy Corey, marketing consultant, is the client contact.

Wells Fargo Realty Advisers

330 Washington St., Marina del Rey, Calif. 90292; (213) 822-2032

Tax-exempt real estate assets ..... $731 million
Equity ..... $232 million
Hybrid debt ..... $186 million
Mortgages ..... $313 million
Tax-exempt real estate clients 151
Total real estate assets ..... $2,692 million
Equity ..... $232 million
Hybrid debt ..... $186 million
Mortgages ..... $2,274 million

As of June 30, Wells Fargo's equity real estate holdings for tax-exempt clients had a market value of $202 million. Hybrid debt and mortgage holdings had market values of $106 million and $313 million, respectively.

Contributions received but not invested accounted for $30 million of the equity assets. The hybrid debt assets include $30 million in contributions received but not invested and $50 million in contributions committed but not yet received.

All of the equity and mortgage assets were in commingled or pooled funds. Of the hybrid debt, $136 million was in commingled or pooled funds and $50 million in direct, separate accounts.

Of Wells Fargo's $2.69 billion in total real estate assets, $43 million is for foreign pension funds.

U.S. tax-exempt real estate assets are invested 50% in existing and 50% in development properties. The asset mix by property type was retail, 55.6%; industrial, 37.6%; office, 6.8%.

Its current acquisition emphasis is on retail and industrial properties, with a focus on California.

Wells Fargo offers an open-end commingled fund, the Wells Fargo Real Estate Equity Fund. The managers emphasize development-oriented transactions and existing properties that can be upgraded, expanded or renovated. Transactions are typically structured as development joint ventures or developmental participating mortgages.

Many of the properties are managed by developer/partners.

Clients include GM, Avon Products, Ohio Public Employees and Frank Russell Trust.

Doug Hayek, director of acquisitions, is in charge of making property investments. J. Michael Johnson, director of marketing, is the client contact.

Equitable purchase

WASHINGTON — A 163,200-square-foot office complex in Fairfax County, Va., has been purchased for the $2.9 billion Equitable Real Estate Investment Management Inc.'s Prime Property Fund, an open-end commingled fund for institutional pension funds.

No price was given on the purchase.

The two-building complex is 70% leased and nearing completion.

Also, Equitable announced its Prime Property Fund, formerly called Real Estate Account 8, had a 2.3% unannualized rate of return for the second quarter.

And for the first six months of 1986, the Prime Property Fund had a 4.8% unannualized rate of return.

Wrap-up

NCNB starts fund

CHARLOTTE, N.C. — NCNB National Bank has begun a new common trust fund directed at employee benefit accounts. It is called the NCNB Employee Benefit Mortgage-Backed Securities Fund.

The mortgage-backed securities market is one of the fastest growing sectors in the credit markets, growing from $60 billion in 1980 to $300 billion today, according to bank officials.

Because of the cash flow uncertainty of mortgage-backed securities, the securities generally have higher yields than other investment-grade bonds, the officials said.

High-tech surplus

NEW YORK — A slowdown in the high-technology industry along with overbuilding in general has created an abundance of available space for high-tech companies, according to a report from Julien J. Studley Inc., New York, a real estate services company.

Office/research and development buildings are an area of investment for many pension funds.

Prudential promotion

NEWARK, N.J. — John Hoffman has been named a vice president with The Prudential Realty Group, Newark.

Mr. Hoffman had been head of acquisitions and sales for the realty group.

$5.6 billion in direct . . .

Continued from page 40
nership in TREET, a commingled real estate fund owned jointly by regionals and AT&T, and now want to move more into direct investing, said Mr. Hodes.

There are other types of plans, too, using separate accounts. About $500 million of the new business Richard Ellis received is believed to have come from the Royal Dutch Shell pension fund, one of the largest foreign investors in the U.S. non-residential real estate market. Officials for the company would not confirm that account, however.

Overall, the advisory firms surveyed managed $4.36 billion for foreign pension funds June 30.

Commingled funds, however, did not miss out on the increased flow of assets; those funds garnered $5.6 billion of new business, or 45%, and held $49.9 billion, 68%, of overall tax-exempt assets.

Prudential Realty Group, Newark, N.J., reported receiving $390 million in new business for its several commingled accounts.

Prudential manages several commingled funds, including the nation's largest, and some say the oldest, PRISA I, an open-end fund with $4.7 billion in assets.

Aetna also reported significant additional contributions in commingled assets, $453 million, as did Equitable, $217.5 million.

Another large commingled fund adviser, The RREEF Funds, San Francisco, reported $119 million in contributions to its closed-end commingled funds.

Also, while some managers buy only properties in relatively mint condition, industry observers have seen an increased willingness by fund executives to invest in properties that need rehabilitation.

Among the leaders in new business, Richard Ellis takes such an "added value" approach. Experts say the fund executives' willingness shows their increased familiarity with real estate investment in general and increased comfort with different investment styles.

Overall, the managers reported total tax-exempt assets under management of $73.3 billion as of June 30, an increase of 40.7% from last year's $52.1 billion.

Of the total, $45.2 billion or 61.7% was in pure equity; $12.2 billion or 16.6% was in hybrid debt; and $15.9 billion, 21.7%, was in mortgages. The numbers do not add up because several managers could not provide asset breakouts.

The firms surveyed reported total taxable and tax-exempt assets under management of $236.7 billion, an increase of 22.6% from last year.

By property type, the average tax-exempt asset mix was 40% office, 22% retail, 20% industrial, 6% land and 12% other.

The biggest change is in offices, which in last year's survey had 45.2% of the assets. This drop can be explained by the overbuilt office market.

Companies still favor existing properties, with 93% of the tax-exempt assets invested in existing and 7% invested in developmental ones.

The leaders of managers of tax-exempt pure equity holdings remained fairly steady from last year, with only two newcomers — JMB and Eastdil Realty Inc., New York. The biggest moves in the list came from Copley Real Estate Advisors, Boston, which ranked fifth this year compared with 10th last year, and Aetna, which dropped to sixth from third.

Prudential Realty Group, Newark, N.J., although not making the Top 10 in new business, maintained its lead among equity managers and garnered sixth place among managers ranked by mortgages.

There were four newcomers to the list of the Top 10 mortgage advisers: Aetna; L.J. Melody & Co., Houston; Prudential; and Karsten Institutional Realty Advisors, Los Angeles.

Of its $12 billion in mortgage investments for tax-exempt clients, $1.1 billion is in participating mortgage accounts.

The significant increases in contributions show, some real estate advisers think, that real estate is now accepted as a traditional form of investment by many pension executives, and not just an alternative investment. ■

N.H. unions . . .

Continued from page 16
bricklayers' plan.

In addition, the loan was renewed by the carpenters' fund, the chief lender, without prior approval of the bricklayers' fund, the department charged.

The loan was refinanced in 1984 from another lender at an 11% interest rate, and the fund was repaid in full on Jan. 7, 1984.

Not only did the trustees' failure to investigate the loan's quality and currently available rates violate the prudence standards under the Employee Retirement Income Security Act, but the loan represented an excessive portion of the bricklayers' fund's assets, exposing the fund to excessive risk, the government alleged.

Between April 1978 and August 1978, the fund disbursed $146,235 of its total $150,000 commitment, representing about 30% of its assets at the time, the Labor Department said.

According to the government's estimates, the fund lost some $35,000 in lost interest over the six years by charging a below-market rate.

The bricklayers' pre-trial memorandum denied the department's allegations, arguing the loan was reasonable based upon "mini-permanent" loans available in 1977, and that the trustees met ERISA's prudence requirements.

The trustees further maintained the church loan helped support the contribution base of the fund by creating new union jobs, and "sent a message to the local building community" that financing would become available to developers who hired union labor covered by the plan.

Faced with a serious decline in work done by union contractors, the trustees argued, "The Trustees' effort to sustain the Plan's contribution was not only acceptable; it was a matter of survival."

In addition, the trustees claimed that the return on the loan outperformed historic returns of the fund's outside investments advisers, as well as exceeded the fund's long-term actuarial assumption of 6%.

The trustees also denied Mr. Dawson used fiduciary responsibility on the investment but "was merely a messenger between the trustees and the church congregation."

They further denied they had the legal right to renegotiate the terms of the loan upon its renewal in 1981.

In opposing the defendants' arguments, the Labor Department noted the loan generated only $753 in new contributions, reducing the unfunded accruability of $911,450 in 1977 by less than one-tenth of 1%.

The government also rejected the defendants' comparisons of other available investments as incorrect or irrelevant. ■

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Cash Management

Loan participations bolster banks

By Chuck Paustian

Money center banks, which have been denied entry to domestic commercial paper underwriting, are developing a multi-billion-dollar substitute market for short-term financing through bank loan participations.

By aggressively pricing their short-term loans and then selling portions of them to investors, the banks hope to slow the erosion of revenue and corporate relationships, a result of the growth in the commercial paper market.

Companies, taking advantage of the low rates quoted on the loans, may start replacing borrowings from other banks and the commercial paper market with the loan participation arrangements.

"We are an A1, P2 company. The banks could — and have — beat commercial paper rates," said William E. Beyer, manager-cash and banking at Portland General Corp., the parent of Portland General Electric Co., Portland, Ore.

"The banks could lead us to take out (reduce) some commercial paper and substitute bank debt (loan participation). We are looking at the possibility of doing that now."

"In a lot of ways, loan participations are like commercial paper, but loan participations have a ways to go before they'd be as liquid," said Daniel J. Donoghue, a bank analyst with Duff & Phelps Inc., Chicago.

"In a lot of ways, it's an investment banking role for banks," he said.

The investors are attracted to the loan participations because of the credit-worthiness of the companies behind the loans and the greater returns than commercial paper.

"Most of the loans that get sold are Baa or better," said James E. Cotten, managing director and head of asset sales at Chase Investment Bank, New York, a subsidiary of The Chase Manhattan Bank.

"Essentially, it's the same type of risk they'd be buying if they bought ABC Corp. commercial paper," he said, adding investors usually receive rates between five and 25 basis points higher than the same company's commercial paper.

Although bank loan participations started about four years ago, the volume of loan sales has increased during the past two years.

"It started because the spreads on commercial loans were so small the banks wanted to get the loans off their books," said Allan Munro, a partner at Greenwich Associates, Greenwich Conn.

Mr. Cotten estimated there was more than $150 billion in loans sold on a participation basis during 1985.

Despite the advantages, some corporations remain somewhat leery about loan participations.

A recent survey conducted by Greenwich shows corporate cash managers increasingly are becoming aware of bank loan participations and have voiced concern about several potential drawbacks of the system.

"It's very difficult to see what a bank is doing vis-a-vis a corporate lending arrangement," said Finis A.R. Morgan, former assistant treasurer at American Petrofina Inc., Dallas. Mr. Morgan retired in February.

Money center banks have seen their short-term loan income, and subsequently their corporate relationships, dwindle during recent years as a result of the growth in

Continued on page 59

Firms pool short-term financing needs

Programs allow small issuers access to commercial paper markets

By Barry B. Burr

Two groups, using different approaches, plan to set up commercial paper issuing pools enabling small companies that were unable to tap the public market for short-term debt to take advantage of the relatively less expensive source of funds.

Capital Funding Partners, owned in part by Ashwell & Co., a Chicago-based commercial paper dealer, is seeking to enroll a diverse group of small companies for its pool and hopes to sell its first commercial paper for them later this year, or early in 1987.

The Cooperative Association of Tractor Dealers Inc., Chevy Chase, Md., plans to copy for other trade associations its existing $110 million commercial paper program, which provides a pool of low-cost, short-term financing to independent Caterpillar Tractor Co. dealers.

Edward A. Newton, Cooperative Association president, said the group expects to sell its expertise on commercial paper issuing pools to other, unrelated trade groups, enabling their members to sell the low-cost, short-term funds in the public market.

"We think we could provide this commercial paper service at competitive rates for other industry organizations," Mr. Newton said.

"We are now developing this service for other industry organizations. Our legal staff has already developed the documentation for (extension to) other industry organizations."

He declined to name the trade groups until arrangements are completed.

The Cooperative Association, which Mr. Newton helped found, began its commercial paper program in 1981. The program now has 21 dealers participating, raising on average $5 million each in commercial paper financing.

Edward Newton and Dolores Coutts of the Cooperative Association of Tractor Dealers

Capital Funding Partners, Chicago, plans to open its commercial paper issuing pool to potentially any company, said Paul Forbrich, president.

He declined to name them.

Capital Funding's other partners, aside from Ashwell, are Mr. Forbrich and a former executive with Philipp Brothers Inc.

"We are giving middle-market companies access to the commercial paper market through credit enhancements," Mr. Forbrich said.

Speaking of the proposed program, he said, "The (potential) clients look at it and say this is fabulous.

"Individually, they don't have large enough borrowing regularly and they don't have adequate credit to issue commercial paper themselves."

He expects the minimum participation would be for $2 million to $5 million, while the maximum might be $30 million to $35 million, although he added the exact amount "is a function of each company's borrowing costs."

The commercial paper issuing pools provide further evidence of the erosion of banks as sources of short-term corporate borrowing, a trend that has been developing in the 1980s.

A few other issuing pools exist, but Mr. Forbrich said none passes on the cost to participating companies on a cost-plus basis.

Banks, however, continue to play a role in the commercial paper programs. Like the Cooperative Association, Capital Funding Partners' ability to sell commercial paper depends on providing guarantees for investors, said Mr. Forbrich.

He said Capital Funding Partners plans to buy a credit enhancement to enable major credit-rating companies to give its commercial paper program their top rating.

"We're having a bank provide the credit enhancement," he said. Capital Funding is talking with several banks now about the enhancement, he added. He declined to name the banks.

To protect the bank providing the program's credit enhancement, Mr. Forbrich said each company participating in the

Continued on page 58

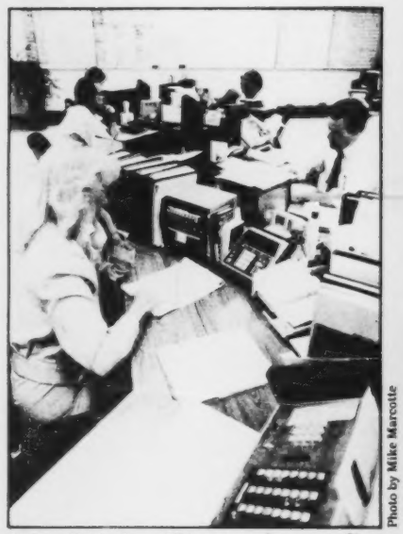


Photo by Mike Marcotte

Ashwell & Co., Chicago, whose trading room is shown above, is a partner in Capital Funding Partners.

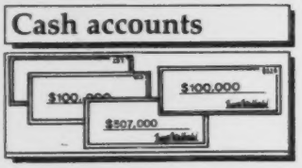
Payden & Rygel index of short maturity assets*
(for month ended August 31)

	August 1986	Quarter ended 6/30/86	Year to date	12 months ended 8/31/86	Yield level monthly change*
	Unannualized total returns				
90-day					
U.S. Treasury bill	0.6090	1.6779	4.8379	7.4948	−62
Domestic CD	0.6818	1.8351	5.2527	8.0820	−84
Euro $ CD	0.7041	1.8711	5.3260	8.1933	−90
180-day					
U.S. Treasury bill	0.7829	1.7909	5.4592	8.3118	−63
Domestic CD	0.8851	1.9687	5.7448	8.6423	−85
Euro $ CD	0.9424	2.0111	5.8230	8.7636	−95
1-year					
U.S. Treasury note	1.1263	1.9571	6.6071	9.8739	−88
2-year					
U.S. Treasury note	1.6835	1.9575	8.7541	13.8741	−63

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
*Basis points.
Source: Payden & Rygel, Los Angeles

Phoenix Electric selects

Cash accounts



CHICAGO — Phoenix Electric Manufacturing Co. hired Drexel Management Co., New York, to manage its short-term corporate working cash, investing in a conservative money-market strategy, according to Sandy Bank, chairman of Phoenix.

He said Phoenix assigned Drexel about $5 million to run in a separately managed account. He had been managing the money himself.

Explaining why he gave up in-house management, Mr. Bank said, "I felt that I wasn't getting a high enough return with the parameters I had."

Drexel "can invest in the same things I can, but because they have billions to invest they can take a huge position and get better returns," he added.

Mr. Bank said he expects Drexel's management to return 50 to 100 basis points, after its fee of 25 basis points, over "the highest returns I can get with ultimate safety with top bank CDs."

He said Phoenix gave Drexel two explicit investment parame-

Continued on page 60

THE SECOND mailing of questionnaires for *Pensions & Investment Age*'s 1986 corporate cash management survey has been sent. The deadline for returning the questionnaires is Sept. 21.

If you have not received a questionnaire and believe you should have, contact Carol Wiley, directory coordinator, (312) 649-5486.